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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

**Pursuant to Section 13 OR 15(d) of The  
Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): December 17, 2010**

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**PSIVIDA CORP.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**000-51122**  
(Commission  
File Number)

**26-2774444**  
(IRS Employer  
Identification No.)

**400 Pleasant Street**  
**Watertown, MA 02472**  
(Address of Principal Executive Offices) (Zip Code)

**(617) 926-5000**  
(Registrant's Telephone Number, Including Area Code)

**Not applicable**  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On December 17, 2010, pSivida Corp. (the “Company”) entered into an Employment Agreement with Leonard S. Ross, its Vice President, Finance.

Under the Employment Agreement, the Company agreed to employ Mr. Ross, and Mr. Ross agreed to serve, full time as the Company’s Vice President, Finance and in such capacity as the Company’s Principal Financial and Accounting Officer overseeing all accounting and financial affairs of the Company. The Employment Agreement provides for an annual base salary of \$202,230, which may be increased at the discretion of the Company, and for paid vacation and fringe benefits in accordance with the policies of the Company as well as eligibility to receive an annual cash bonus determined by the Company and to participate in the Company’s 2008 Incentive Plan.

Under the Employment Agreement, termination of Mr. Ross’ employment by Mr. Ross with “good cause” within 90 days of the conduct giving rise to good cause or by the Company other than for “cause” would require the Company to pay severance to Mr. Ross. Upon any such termination other than within 24 months of a change of control, Mr. Ross would be entitled to a lump sum payment equal to the sum of (1) 75% of his then current annual base salary and (2) a pro rata portion of the current year’s bonus, calculated on the assumption that all targets and formulas for determining such bonus had been met, or, if no such targets or formulas were established, calculated as a pro rata portion of the prior year’s bonus based on the period from the commencement of the fiscal year to the termination date. In such event, the Company also would be required to provide medical, dental, life and disability benefits to Mr. Ross for a period of one year or such lesser period if Mr. Ross obtains comparable coverage with another employer. Under the Option Amendment Agreement, with respect to options held by Mr. Ross granted during fiscal years 2009 and 2011 under the 2008 Incentive Plan (“Mr. Ross’ Incentive Plan Options”), any unvested portion that would have vested as of the first anniversary following the date of his termination by the Company other than for cause or by Mr. Ross with good cause (other than within 24 months of a change in control) would vest upon any such termination, and such options would remain exercisable until the earlier of (i) three months thereafter and (ii) the applicable option expiration date. In the event Mr. Ross terminates his employment for good cause (other than within 24 months of a change of control) and the Company requests that Mr. Ross remain as an employee for a period of up to 9 months after receipt of Mr. Ross’ termination notice, Mr. Ross must remain an employee of the Company through the date requested in order to receive the severance described above (unless his employment is earlier terminated by the Company). Additionally, in order for Mr. Ross to be eligible for any severance, he must deliver a release as provided in the Employment Agreement.

In the event Mr. Ross’ employment is terminated by the Company without cause or by Mr. Ross with good cause within 24 months of a change in control, under the Employment Agreement, Mr. Ross would be entitled to a lump sum payment equal to the sum of (1) 100% of annual base salary, (2) an amount equal to the prior year’s bonus and (3) a pro rata portion of the current year’s bonus based on the period from the commencement of the fiscal year to the termination date, calculated on the assumption that all targets and formulas for determining such bonus had been met, or, if no such targets or formulas were established, calculated as a pro rata portion of the prior year’s bonus. In addition, the Company would be required to provide medical, dental, life and disability benefits to Mr. Ross for a period of one year, or such lesser period if Mr. Ross obtains comparable coverage with another employer. Additionally, under the Option Amendment Agreement, any unvested portion of Mr. Ross’ Incentive Plan Options would vest and become exercisable upon such termination, and such options would remain exercisable until the earlier of (i) one year thereafter and (ii) the applicable option expiration date.

If Mr. Ross ceases to be an employee as a result of death or disability or if termination of Mr. Ross’ employment is by the Company for cause or by Mr. Ross without good cause, then Mr. Ross is entitled to only salary and bonuses then earned but unpaid.

The terms “good cause”, “cause” and “change of control” are defined in the Agreements.

The foregoing summary of the Agreements is not complete and is qualified in its entirety by reference to the full text of each of the Agreements, the forms of which are attached hereto as Exhibits 10.1 and 10.2 and incorporated by reference herein.

**Item 9.01 Financial Statements and Exhibits**

**(d) Exhibits.**

The following Exhibits are furnished with this report on Form 8-K:

<u>No.</u>	<u>Description</u>
10.1	Employment Agreement between the Company and Leonard S. Ross dated December 17, 2010.
10.2	Option Amendment Agreement between the Company and Leonard S. Ross dated December 17, 2010.

**SIGNATURE**

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

**PSIVIDA CORP.**

Date: December 21, 2010

By: \_\_\_\_\_ /s/ LORI FREEDMAN  
Lori Freedman, Vice President, Corporate Affairs,  
General Counsel and Secretary

**pSivida Corp.**  
**400 Pleasant Street**  
**Watertown, MA 02472**

December 17, 2010

Leonard S. Ross  
77 Morency Street  
Natick, MA 01760

Dear Mr. Ross:

On behalf of the Board of Directors of pSivida Corp, a Delaware corporation, I am pleased to offer you, Leonard S. Ross (referred to herein as “**you**” or “**Executive**”), the following employment agreement pursuant to this letter (the “**Agreement**”):

1. **Employment:** The Company (as defined in Section 8(f) below) agrees to employ you, and you agree to serve in the Company’s employ, on and subject to the terms and conditions hereinafter set forth.

2. **Duties and Responsibilities:** You will hold the title of and will serve as Vice President, Finance of the Company and, in such capacity, shall be the Executive Officer that is the Company’s Principal Financial and Accounting Officer and shall oversee all accounting and financial affairs of the Company. You agree to work full-time at your positions with the Company and to devote your entire working time, skill and attention to the discharge of your duties and responsibilities and to promoting the best interests of the Company. Participation in charitable and professional organizations is allowed so long as such activities do not interfere with your duties and responsibilities or compete with the business and activities of the Company.

3. **Term:** The term of your employment will be from the date hereof until such time as your employment is terminated in accordance with, and subject to the obligations set forth in, Section 8 and elsewhere in this Agreement.

4. **Compensation:** You shall receive the following compensation:

(a) **Base Salary:** Your base salary as of the date hereof will be Two Hundred and Two Thousand Two Hundred and Thirty Dollars (\$202,230) per year (the “**Base Salary**”), payable semi-monthly or in accordance with the policies and procedures of the Company as in effect from time to time, provided that in the event the Company in its sole discretion increases Executive’s Base Salary above \$202,230 the Base Salary as so increased will be referred to as “**Base Salary**”. Notwithstanding anything contrary in this Agreement, the Company may elect to increase your Base Salary (but not decrease it without your agreement other than as a result of a Company-wide salary reduction).

(b) **Bonus:** In addition to your base salary, you will be eligible to receive an annual cash bonus in an amount to be determined by the Company or the Company's Board of Directors, as the case may be (the "**Bonus**").

(c) **Stock Options:** You will be eligible to participate in the Company's 2008 Incentive Plan in accordance with the terms and guidelines thereof. The issuance of options and shares thereunder shall be subject to the approval of the Board of Directors or shareholders of the Company.

5. **Expenses:** You shall be reimbursed for reasonable business-related expenses in accordance with applicable policies and procedures of the Company as in effect from time to time.

6. **Vacation and Fringe Benefits:** You will be entitled to four (4) weeks' paid vacation per calendar year. In addition you will be entitled to fringe benefits in accordance with the policies of the Company which benefits shall include, without limitation, (i) participation in any employee pension benefit plan within the meaning of Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), including any 401(k) savings plan adopted or maintained by the Company made generally available to U.S. executives of the Company and (ii) participation in any health insurance, disability insurance, group life insurance or any other employee welfare benefit plan within the meaning of Section 3(1) of ERISA made generally available to Executive Officers of the Company.

7. **Taxes:** All payments made to you pursuant to this Agreement or otherwise in connection with your employment shall be subject to the usual withholding practices of the Company and will be made in compliance with existing federal and state requirements regarding the withholding of tax. Moreover, should any benefit payment that is described in this Agreement be subject to Section 409A of the Internal Revenue Code of 1986 as amended, the Company agrees that, subject to your instruction, it is authorized to, and agrees to, make payments in a manner that complies with the requirements of Section 409A to the fullest extent possible. However, in the event that one or more provisions of Section 409A is violated, the Company shall not be responsible for the payment of any tax liability, penalties or interest that are imposed upon you as a result of said violation, nor shall the Company be under any obligation to make you whole or otherwise compensate you for such additional liability, unless such violation results from any action or failure to act by the Company, contrary to its obligations under this Paragraph.

8. **Termination and Severance Benefits:** Either you or the Company may at any time terminate your employment with the Company after giving written notice to the other party, in which case the obligations of the parties and the termination and severance benefits and payments payable upon termination will be as described in this Section 8.

(a) *Termination Upon Death or Disability:* If you cease to be an employee of the Company as a result of death or Disability, the Company will have no further obligation or liability to you hereunder other than for payment in cash within five calendar days after the date of termination of (i) Base Salary earned and unpaid at the date of termination, (ii) Bonus earned but unpaid at the date of termination, if any, and (iii) compensation for accrued vacation, if any

(collectively, the “**Accrued Obligations**”). However, nothing in this Agreement shall adversely affect your rights or those of your family or beneficiaries under any applicable plans, policies or arrangements of the Company or any other agreement in effect between you and the Company or any subsidiary thereof.

(b) *Termination by the Company for Cause or by You Without Good Cause*: If the Company terminates your employment for Cause (as defined in Section 8(f)) or if you terminate your employment other than for Good Cause (as defined in Section 8(f)), the Company shall have no further obligation or liability to you hereunder other than for payment of Accrued Obligations.

(c) *Termination by the Company Without Cause or by You for Good Cause other than within 24 months of a Change in Control*: If you terminate your employment for Good Cause by providing the Company with a Termination Notice in accordance with the terms of this Agreement or the Company terminates your employment other than for Cause, then in addition to payment of the Accrued Obligations, you will receive the severance described below in this Section 8(c). Notwithstanding anything herein to the contrary, in the event the Company requests that you continue as an employee through the Extended Period at your Base Salary, then you must remain an employee of the Company through the Extended Period in order to receive the severance described in this Section 8(c) (unless your employment is terminated by the Company prior to the expiration of the Extended Period).

(i) Lump Sum Severance Payment:

The Company will pay you on the Payment Date a lump sum amount equal to the sum of (x) 75% of your annual Base Salary, plus (y) a pro rata portion of your Maximum Bonus for the year of termination calculated based on the period from the commencement of the fiscal year until the Termination Date.

(ii) The Company will continue, for a period of one (1) year from the date of termination, to provide you with medical benefits under (as the case may be) the Company’s group medical, dental and vision plan provided to Executive Officers of the Company. To the extent that the Company is unable to provide such benefits to you under its existing plans, the Company will pay you cash amounts equal to your costs of obtaining medical, dental and vision coverage comparable to the coverage previously provided under the Company’s plans.

(iii) The Company will continue, for a period of one (1) year from the date of termination, to provide you with benefits under (as the case may be) the Company’s life insurance arrangements and disability arrangements provided to Executive Officers of the Company. To the extent that the Company is unable to provide such benefits to you under its existing plans, including any conversion rights provided under such plans, the Company will pay you cash amounts equal to the cost the Company would have incurred to provide those benefits to you had you continued to be employed by the Company.

(d) *Termination by the Company Without Cause or by You for Good Cause within 24 months of a Change in Control*: Notwithstanding any other provision of this Section 8 to the

contrary, if a Change of Control occurs and within the 24 months thereafter the Company terminates your employment other than for Cause, or you terminate your employment for Good Cause after the expiration of the Cure Period, then, in addition to payment of the Accrued Obligations, you shall receive the following:

(i) Lump Sum Severance Payment: The Company will pay you on the Payment Date a lump sum amount equal to 100% of the sum of (x) your annual Base Salary, plus (y) your bonus for the completed year immediately preceding the year in which your employment is terminated. The Company will also pay you on the Payment Date a pro rata portion of your Maximum Bonus for the year of termination calculated based on the period from the commencement of the fiscal year until the Termination Date.

(ii) The Company will provide you with the benefits set forth in Section 8(c)(ii) and 8(c)(iii).

(e) Payments under this Agreement shall be made without regard to whether the deductibility of such payments (or any other payments to or for the benefit of Executive) would be limited or precluded by Internal Revenue Code Section 280G and without regard to whether such payments (or any other payments) would subject Executive to the federal excise tax levied on certain "excess parachute payments" under Internal Revenue Code Section 4999; provided, that if the total of all payments to or for the benefit of Executive, after reduction for all federal taxes (including the tax described in Internal Revenue Code Section 4999, if applicable) with respect to such payments ("Executive's total after-tax payments"), would be increased by the limitation or elimination of any payment under this Agreement, amounts payable under this Agreement (whether in the form of cash, stock or otherwise) shall be reduced to the extent, and only to the extent, necessary to maximize Executive's total after-tax payments. The determination as to whether and to what extent payments under this Agreement are required to be reduced in accordance with the preceding sentence shall be made at the Company's expense by such accounting, legal or consulting firm as the Company and the Executive may agree. In the event payments under this Agreement are required to be limited or eliminated pursuant to this Section 8(e), the Executive, in his or her sole discretion, shall determine which payments (e.g., cash payments or stock payments) shall be limited or eliminated. In the event of any underpayment or overpayment under this Agreement, as determined under this Section 8(e), the amount of such underpayment or overpayment shall forthwith be paid to Executive or refunded to the Company, as the case may be.

(f) *Definitions:* The following terms shall have the meanings set forth below:

"Cause" shall mean, in respect of the termination of your employment by the Company, a termination for one of the following reasons only: (a) willful malfeasance or gross negligence in your performance of the duties of your position that has a material adverse effect on the Company, (b) the material breach by you while you are an employee of the Company of Sections 1, 2, 3, 5 and 7(2) of the Employee Confidentiality, Proprietary Rights and Noncompetition Agreement, dated September 26, 2006, between pSivida Inc. and the Executive (the "ECPRNA"), (c) fraud or dishonesty by you with respect to the Company or your employment with the Company, or (d) your conviction of any felony (including, in each case, entry of a guilty or *nolo contendere* plea and excluding traffic violations or similar minor



offenses). The Company may treat a termination of your employment as termination for Cause only after (i) giving you written notice of the intention to terminate for Cause, including a description of the conduct that the Company believes constitutes the basis for a Cause termination, and of your right to a hearing by the Company's Board of Directors, (ii) in the event of a termination under clause (a), (b) or (c) above, providing you with a 30-day period in which to cure the conduct giving rise to the Company's notice of a Cause termination, (iii) at least 30 days but not more than 45 days after giving the notice, conducting a hearing by the Board at which you may be represented by counsel, and (iv) giving you written notice of the results of the hearing and the factual basis for the Board's determination of Cause, which shall require a vote of a majority of the members of the Board then in office other than yourself. For purposes of this definition of Cause, no act or omission shall be considered to have been "willful" unless it was not in good faith and Executive had knowledge at the time that the act or omission was not in the best interest of the Company. Except in connection with your opportunity, if any, to cure the conduct giving rise to the Company's notice of termination for Cause as set forth in clause (ii) above, nothing in the foregoing sentence shall prevent the Company from terminating your employment pending any determination of Cause as set forth in the foregoing sentence, any such determination shall be retroactive to the date of termination and the Company shall not be obligated to compensate you hereunder for the period from such termination until such time, if any, as the Company's Board of Directors determines that such termination was not for Cause. Notwithstanding the foregoing, Cause shall not include an act or failure to act based on (w) authority given pursuant to a resolution duly adopted by the Company's Board of Directors, (x) the advice of outside counsel of the Company, (y) any incapacity resulting from Disability or (z) any actual or anticipated act or failure to act for which notice is provided by the Company after you have provided written notice of a termination for Good Cause.

**"Change of Control"** shall mean

(A) the acquisition by any Person (defined as any individual, entity or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended ("Exchange Act"))) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of the common stock of the Company; provided, however, that for purposes of this subsection (a), an acquisition shall not constitute a Change of Control if it is: (i) either by or directly from the Company, or by an entity controlled by the Company, (ii) by any employee benefit plan, including any related trust, sponsored or maintained by the Company or an entity controlled by the Company ("Benefit Plan"), or (iii) by an entity pursuant to a transaction that complies with the clauses (i), (ii) and (iii) of subsection (C) below; or

(B) individuals who, as of the effective date of this Agreement, constitute the Board (together with the individuals identified in the proviso to this Section (B), the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the effective date of this agreement whose election, or nomination for election by the Company's stockholders, was approved by at least a majority of the directors then comprising the Incumbent Board shall be treated as a member of the Incumbent Board unless he or she assumed office as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(C) consummation of a reorganization, merger or consolidation involving the Company, or a sale or other disposition of all or substantially all of the assets of the Company, (a “transaction”) in each case unless, following such transaction, (i) all or substantially all of the Persons who were the beneficial owners of the common stock of the Company outstanding immediately prior to such transaction beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the entity resulting from such transaction (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such transaction, of the outstanding common stock of the Company, (ii) no Person (excluding any entity or wholly owned subsidiary of any entity resulting from such transaction or any Benefit Plan of the Company or such entity or wholly owned subsidiary of such entity resulting from such transaction) beneficially owns, directly or indirectly, 35% or more of the combined voting power of the then outstanding voting securities of such entity except to the extent that such ownership existed prior to the transaction and (iii) at least a majority of the members of the board of directors or similar board of the entity resulting from such transaction were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such transaction; or

(D) approval by the stockholders of the Company of a liquidation or dissolution of the Company.

“**Company**” shall mean pSivida Corp. and any successor of pSivida Corp. (including without limitation a successor by merger, sale, consolidation, reorganization or other business combination or by acquisition of assets or equity of pSivida Corp.), provided if any such successor has a parent, then Company shall mean the ultimate parent corporation.

“**Cure Period**” shall have the meaning set forth in the definition of Good Cause.

“**Disability**” shall mean physical or mental incapacity of a nature which prevents you, in the professional judgment of your physician or, at the Company’s election, a board-certified physician mutually agreed upon by the Company and you, from performing the essential functions of your position with the Company with or without a reasonable accommodation for a period of one hundred and twenty (120) consecutive days or one hundred eighty (180) days during any consecutive 12-month period.

“**Executive Officer**” shall have the same meaning as the term “officer” under Rule 16a-1(f) of the Securities Exchange Act of 1934.

“**Extended Period Date**” shall mean that date specified by the Company in a written notice to you given within 15 days after the Company receives your Termination Notice which date is no later than 9 months after the date the Company receives your Termination Notice.

**“Extended Period”** shall mean the period beginning on the date the Company receives your Termination Notice and ending on the Extended Period Date.

**“Good Cause”** shall mean, in respect of the termination of your employment by you, a termination for one of the following reasons only: (i) failure by the Company to maintain you in the position of Vice President, Finance or a material diminution of the duties, responsibilities and authority described in Section 2 of this Agreement, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of written notice thereof given by you, (ii) a breach by the Company of Section 4(a) or any other material term of this Agreement other than a decrease in Base Salary as a result of a Company-wide salary reduction, or (iii) relocation of your principal place of work to a location more than thirty (30) miles from your address as set forth in Section 13 below, without your prior consent. You may give a Termination Notice for Good Cause only after (a) giving the Company written notice of your intention to terminate for Good Cause, (b) providing the Company at least 15 days after receipt of such notice (the “Cure Period”) to cure the conduct or action giving rise to Good Cause, and (c) if applicable, the Company has failed to cure the action or conduct giving rise to Good Cause during the Cure Period.

**“Maximum Bonus”** payable in a year will be calculated assuming all bonus targets or formulas for determining the bonus in such year had been met if Executive and Board had, prior to the termination of Executive’s employment, agreed on such targets or formulas. If no such targets or formulas have been set as of such Termination Date, then the Maximum Bonus shall be deemed to be 100 percent of his bonus for the completed year immediately preceding the year in which his employment is terminated.

**“Payment Date”** shall mean that date which is thirty (30) days following the later of (a) the Termination Date, and (b) the date you deliver to the Company a release of claims in the form attached hereto as Exhibit A.

**“\$”** shall mean US\$.

**“Termination Date”** shall mean the date on which you cease to be an employee of the Company.

**“Termination Notice”** shall mean a written notice provided to the Company after the expiration of the Cure Period but no later than 90 days after a Triggering Event specifying a Termination Date within 90 days of such Triggering Event.

**“Triggering Event”** shall mean any action or conduct giving rise to Good Cause.

(g) *Release*: Notwithstanding anything to the contrary contained in this Agreement, in order for you to be eligible for any severance benefits under this Section 8, you must execute and deliver to the Company (and not revoke within seven (7) days of executing) the release of claims in the attached as Exhibit A hereto.

9. **No Duty to Mitigate; No Offset:** Benefits payable under this Agreement as a result of termination of Executive's employment will be considered severance pay in consideration of his past service and his continued service, and his entitlement thereto will neither be governed by any duty to mitigate his damages by seeking further employment nor offset by any compensation that he may receive from other employment following the date of termination. Notwithstanding the foregoing, you agree that the Company may cease its payment for, or provision of, one or more of the continued benefits under Section 8(c)(ii) or 8(c)(iii) during the periods set forth therein following the date of your termination from employment to the extent that you obtain comparable benefit coverage with another employer. This provision shall be applied in an *ad seriatim* basis so that the Company may only cease payment of those comparable benefits that you obtain with another employer. You agree to notify the Company as soon as practicable in the event that you obtain comparable coverage or benefits during the period noted above and you acknowledge that the Company's obligation to continue payment for, or provision of, benefits shall cease from and after the date you obtain comparable coverage.

10. **Indemnification:** To the extent permitted by law, the Company will defend, indemnify and hold Executive harmless from and against any and all losses, liabilities, damages, expenses (including attorneys' fees and costs), actions, causes of action or proceedings arising directly or indirectly from Executive's performance of this Agreement or services as an employee and/or officer of the Company. Executive may retain his own counsel to defend himself in such actions, and the Company will pay for the reasonable costs and expense of such counsel. This indemnification is in addition to any right of indemnification to which Executive may be entitled under the Company's Articles of Incorporation and By-laws, any separate indemnification agreements between the Company and Executive, and any insurance policies that may be maintained by the Company.

11. **Rights of Survivors:** If Executive dies after becoming entitled to benefits under this Agreement following termination of employment but before all such benefits have been provided, (a) all unpaid cash amounts will be paid to the beneficiary that has been designated by Executive in writing (the "beneficiary"), or if none, to Executive's estate, (b) all applicable insurance coverage will be provided to Executive's family as though Executive had continued to live, and (c) any stock options that become exercisable under Section 8 will be exercisable by the beneficiary, or if none, the estate.

12. **Successors:** This Agreement will inure to and be binding upon the Company's successors. The Company will require any successor to all or substantially all of the business and/or assets of the Company by sale, merger or consolidation (where the Company is not the surviving corporation), lease or otherwise, to assume this Agreement expressly. This Agreement is not otherwise assignable by the Company or the Executive.

13. **Notices:** Any notices required or permitted to be sent under this Agreement shall be effective when delivered by hand or mailed by registered or certified mail, return receipt requested, and addressed as follows:

If to the Company:  
pSivida Corp.  
400 Pleasant Street  
Watertown, MA 02472

Attn: Chief Executive Officer, pSivida Corp.

With a copy to:

Ropes & Gray  
1 International Place  
Boston, MA 02110  
Attn: Mary Weber

If to Executive:

Leonard Ross  
77 Morency Street  
Natick, MA 01760

Either party may change its address for receiving notices by giving notice to the other party.

14. **Waiver:** The failure of either party to enforce any of the provisions of this Agreement shall not be deemed a waiver thereof. No provision of this Agreement shall be deemed to have been waived or modified unless such waiver or modification shall be in writing and signed by both parties hereto.

15. **Entire Agreement; Termination:** This Agreement shall constitute the entire agreement of the parties pertaining to this subject matter and shall supersede all prior agreements, representations and understandings of the parties with respect to such subject matter.

16. **Partial Invalidity:** If any provision in this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions nevertheless shall continue in full force and effect without being impaired or invalidated in any manner.

17. **Counterparts:** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

18. **Governing Law:** This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts. The parties agree that any action to enforce the terms of this Agreement shall be commenced in, and subject to the exclusive jurisdiction of, Suffolk County, Boston, Massachusetts.

19. **Surviving Provision:** This Agreement shall terminate upon the termination of your employment with the Company for any reason; provided, however, that the provisions of Sections 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 18 and 19 hereof (and any other operative provisions of this Agreement which, by logical extension, are necessary to interpret and enforce this Agreement so as to give effect to the parties' intent) shall survive the termination of your employment for any reason and the termination of this Agreement.

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

PSIVIDA CORP.

By: /s/ Paul Ashton

\_\_\_\_\_  
Name: Paul Ashton

Title: President & CEO

EXECUTIVE

By: /s/ Leonard S. Ross

\_\_\_\_\_  
Name: Leonard S. Ross

**EXHIBIT A**

**RELEASE OF CLAIMS**

FOR AND IN CONSIDERATION OF the benefits to be provided me in connection with the termination of my employment, as set forth in the employment agreement between me and pSivida Corp. (the "Company") dated as of December 17, 2010 (the "Agreement"), which benefits are subject to my signing of this Release of Claims and to which I am not otherwise entitled, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, I, on my own behalf and on behalf of my heirs, executors, administrators, beneficiaries, representatives and assigns, and all others connected with me, hereby release and forever discharge the Company, its subsidiaries and other affiliates and all of their respective past, present and future officers, directors, trustees, shareholders, employees, agents, general and limited partners, members, managers, joint venturers, representatives, successors and assigns, and all others connected with any of them, both individually and in their official capacities, from any and all causes of action, rights and claims of any type or description, known or unknown, which I have had in the past, now have, or might now have, through the date of my signing of this Release of Claims, in any way resulting from, arising out of or connected with my employment by the Company or any of its subsidiaries or other affiliates or the termination of that employment or pursuant to any federal, state or local law, regulation or other requirement (including without limitation Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, and the fair employment practices laws of the state or states in which I have been employed by the Company or any of the subsidiaries or other affiliates, each as amended from time to time).

Excluded from the scope of this Release of Claims is (i) any claim arising under the terms of the Agreement and (ii) any right of indemnification or contribution that I have pursuant to the Certificate of Incorporation, Constitution, By-Laws or other governing documents of the Company or any of its subsidiaries or other affiliates.

In signing this Release of Claims, I acknowledge my understanding that I may not sign it prior to the termination of my employment, but that I may consider the terms of this Release of Claims for up to twenty-one (21) days (or such longer period as the Company may specify) from the later of the date my employment with the Company terminates or the date I receive this Release of Claims. I also acknowledge that I am advised by the Company and its affiliates to seek the advice of an attorney prior to signing this Release of Claims; that I have had sufficient time to consider this Release of Claims and to consult with an attorney, if I wished to do so, or to consult with any other person of my choosing before signing; and that I am signing this Release of Claims voluntarily and with a full understanding of its terms.

I further acknowledge that, in signing this Release of Claims, I have not relied on any promises or representations, express or implied, that are not set forth expressly in the Agreement. I understand that I may revoke this Release of Claims at any time within seven (7) days of the date of my signing by written notice to the General Counsel of the Company and that this Release of Claims will take effect only upon the expiration of such seven-day revocation period and only if I have not timely revoked it.

Intending to be legally bound, I have signed this Release of Claims under seal as of the date written below.

Signature: \_\_\_\_\_

Name (please print): \_\_\_\_\_

Date Signed: \_\_\_\_\_



**pSivida Corp.**  
**400 Pleasant Street**  
**Watertown, MA 02472**

December 17, 2010

Leonard S. Ross  
77 Morency Street  
Natick, MA 01760

Dear Mr. Ross:

The provisions of this letter agreement amend all Stock Options heretofore granted to you under the pSivida Corp. 2008 Incentive Plan.

This letter agreement (this "Agreement") hereby amends the terms of the following Nonstatutory Stock Options granted to you: (1) the Nonstatutory Stock Option Granted to you under the pSivida Corp. 2008 Incentive Plan on September 11, 2008 to purchase a total of 40,000 shares of Common Stock (the "2008 Stock Option Grant"), (2) the Nonstatutory Stock Option Granted to you under the pSivida Corp. 2008 Incentive Plan on June 25, 2009 to purchase 50,000 shares of Common Stock (the "2009 Stock Option Grant"), (3) the Nonstatutory Stock Option Granted to you under the pSivida Corp. 2008 Incentive Plan on July 22, 2010 to purchase a total of 23,800 shares of Common Stock (the "2010 Stock Option Grant") and (4) the Nonstatutory Stock Option Granted to you under the pSivida Corp. 2008 Incentive Plan on July 22, 2010 to purchase a total of 27,200 shares of Common Stock (the "2010 Performance Stock Option Grant").

1. Section 2 of each of the 2008 Stock Option Grant, the 2009 Stock Option Grant and the 2010 Stock Option Grant shall be deleted in its entirety and replaced with the following:

**"2. Vesting.**

(a) During Employment. This Stock Option will vest and become exercisable with respect to 25% of the Shares on each of the first, second, third and fourth anniversaries of the Grant Date; provided that, and subject to Section 2(c) below, upon a cessation of the Participant's Employment by reason of an involuntary termination without Cause (as defined in the Employment Agreement between the Company and the Participant dated as of December 17, 2010 ("Employment Agreement") ("Cause")) or a voluntary termination for Good Cause (as defined in the Employment Agreement ("Good Cause")) for which Participant would be eligible for severance benefits under the Employment Agreement any unvested portion of this Stock Option that would have vested as of the first anniversary of the cessation of the Participant's Employment had the Participant continued in Employment through such first anniversary will vest immediately prior to such cessation of Employment.

(b) Termination of Employment. Notwithstanding the foregoing, and subject to Section 2(c) below, the following rules will apply if a Participant's Employment ceases regardless of the circumstances: automatically and immediately upon the cessation of Employment, this Stock Option will cease to be exercisable and will terminate, except that:

(I) such portion, if any, of this Stock Option as is held by the Participant immediately prior to the cessation of the Participant's Employment for any reason other than for Cause or as a result of Participant's death and as is then exercisable (after giving effect to any accelerated vesting owing to a cessation of Employment by reason of an involuntary termination without Cause or a voluntary termination for Good Cause pursuant to Section 2(a) above), will remain exercisable until (i) 5:00 P.M. Eastern Time on the last day of the three-month period commencing on the date of such cessation of Employment or (ii) the Final Exercise Date, if earlier, and will thereupon terminate;

(II) such portion, if any, of this Stock Option as is held by the Participant immediately prior to the Participant's death and as is then exercisable, will remain exercisable until (i) 5:00 P.M. Eastern Time on the first anniversary of the Participant's death or (ii) the Final Exercise Date, if earlier, and will thereupon terminate; and

(III) such portion, if any, of this Stock Option as is held by the Participant immediately prior to the cessation of the Participant's Employment for Cause will immediately terminate.

(c) Change of Control. Notwithstanding any other provision of this Section 2 to the contrary, if a Change of Control occurs, whether or not the Change of Control also constitutes a Covered Transaction, and within the 24 months thereafter there is a cessation of the Participant's Employment by reason of an involuntary termination without Cause or a voluntary termination for Good Cause, the provisions of this Section 2(c) shall apply:

(I) This Stock Option, if it survives the Change of Control, including any stock option granted in substitution for this Stock Option in connection with the Change of Control, shall automatically vest and become exercisable immediately prior to such cessation of Employment and will remain exercisable until (i) 5:00 P.M. Eastern Time on the first anniversary of the date of such cessation of Employment or (ii) the Final Exercise Date, if earlier, and will thereupon terminate; provided that, in the event of the Participant's death during such extended exercise period following a Change of Control, any portion of this Stock Option as is held by the Participant immediately prior to the Participant's death will remain exercisable until (i) 5:00 P.M. Eastern Time on the first anniversary of the Participant's death or (ii) the Final Exercise Date, if earlier, and will thereupon terminate.

(II) Any and all performance or other vesting conditions imposed pursuant to Section 7(a)(5) of the Plan with respect to any stock, cash or other property delivered in exchange for this Stock Option in connection with the Change of Control shall automatically be deemed to have been satisfied immediately prior to such cessation of Employment.

(III) For purposes of this Section 2(c), "Employment" shall be deemed to include employment with any successor to the Company's business or assets in connection with a Change of Control.

(IV) For purposes of this Stock Option, “Change of Control” shall mean:

(A) the acquisition by any Person (defined as any individual, entity or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended (“Exchange Act”))) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of the common stock of the Company; provided, however, that for purposes of this subsection (a), an acquisition shall not constitute a Change of Control if it is: (i) either by or directly from the Company, or by an entity controlled by the Company, (ii) by any employee benefit plan, including any related trust, sponsored or maintained by the Company or an entity controlled by the Company (“Benefit Plan”), or (iii) by an entity pursuant to a transaction that complies with the clauses (i), (ii) and (iii) of subsection (C) below; or

(B) individuals who, as of the Date of Grant, constitute the Board (together with the individuals identified in the proviso to this Section 2(c)(IV)(B), the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Date of Grant whose election, or nomination for election by the Company’s stockholders, was approved by at least a majority of the directors then comprising the Incumbent Board shall be treated as a member of the Incumbent Board unless he or she assumed office as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(C) consummation of a reorganization, merger or consolidation involving the Company, or a sale or other disposition of all or substantially all of the assets of the Company, (a “transaction”) in each case unless, following such transaction, (i) all or substantially all of the Persons who were the beneficial owners of the common stock of the Company outstanding immediately prior to such transaction beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the entity resulting from such transaction (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such transaction, of the outstanding common stock of the Company, (ii) no Person (excluding any entity or wholly owned subsidiary of any entity resulting from such transaction or any Benefit Plan of the Company or such entity or wholly owned subsidiary of such entity resulting from such transaction) beneficially owns, directly or indirectly, 35% or more of the combined voting power of the then outstanding voting securities of such entity except to the extent that such ownership existed prior to the transaction and (iii) at least a majority of the members of the board of directors or similar board of the entity resulting from such transaction were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such transaction; or

(D) approval by the stockholders of the Company of a liquidation or dissolution of the Company.

(d) Notwithstanding the foregoing provisions of this Section 2, this Stock Option shall not vest or become eligible to vest on any date specified above unless the Participant has continuously been, since the Grant Date until the date immediately prior to such termination of Employment, Employed by the Company, its Affiliates, its subsidiaries, or, following a Change of Control, any successor to the Company's business or assets in connection with the Change of Control."

2. Section 2 of the 2010 Performance Stock Option Grant shall be deleted in its entirety and replaced with the following:

**"2. Vesting.**

(a) During Employment. This Stock Option will vest and become exercisable as set forth below; provided that, and subject to Section 2(c) below, upon a cessation of the Participant's Employment by reason of an involuntary termination without Cause (as defined in the Employment Agreement between the Company and the Participant dated December 17, 2010 ("Employment Agreement")) ("Cause")) or a voluntary termination for Good Cause (as defined in the Employment Agreement ("Good Cause")) for which Participant would be eligible for severance benefits under the Employment Agreement any unvested portion of this Stock Option that would have vested as of the first anniversary of the cessation of the Participant's Employment had the Participant continued in Employment through such first anniversary will vest immediately prior to such cessation of Employment.

If FDA approval of the New Drug Application for Iluvien ("FDA Approval") occurs on or before January 31, 2011:

Options to purchase 27,200 shares shall vest and become exercisable on July 22, 2012.

If FDA Approval occurs after January 31, 2011 and prior to June 30, 2011:

Options to purchase that number of shares equal to the product of 67.32 multiplied by that number of days commencing on February 1, 2011 and ending on (and including) the day prior to FDA Approval, rounded down to the nearest share ("Tranche One Forfeited Shares") shall be forfeited, and options to purchase that number of shares equal to the difference between (A) 27,200 minus (B) Tranche One Forfeited Shares shall vest and become exercisable on July 22, 2012;

If FDA Approval occurs on June 30, 2011:

Options to purchase 10,030 shares shall be forfeited; and options to purchase 17,170 shares shall vest and become exercisable on July 22, 2012;

If FDA Approval occurs after June 30, 2011 but before December 31, 2011:

Options to purchase that number of shares equal to the sum of (A) 10,030 plus (B) that number equal to the product of 46.91 multiplied by that number of days commencing July 1, 2011 and ending on (and including) the day prior to FDA Approval, rounded down to the nearest share ("Tranche Two Forfeited Shares") shall be forfeited; and options to purchase shares equal to the difference between (A) 17,170 minus (B) Tranche Two Forfeited Shares shall vest and become exercisable on July 22, 2012;

If FDA Approval occurs on December 31, 2011:

Options to purchase 18,615 shares shall be forfeited; and options to purchase 8,585 shares shall vest and become exercisable on the second anniversary of the Grant Date; and

If FDA Approval does not occur on or prior to December 31, 2011:

Options to purchase 27,200 shares shall be forfeited on January 1, 2012.

(b) Termination of Employment. Notwithstanding the foregoing, and subject to Section 2(c) below, the following rules will apply if a Participant's Employment ceases regardless of the circumstances: automatically and immediately upon the cessation of Employment, this Stock Option will cease to be exercisable and will terminate, except that:

(I) such portion, if any, of this Stock Option as is held by the Participant immediately prior to the cessation of the Participant's Employment for any reason other than for Cause or as a result of Participant's death and as is then exercisable (after giving effect to any accelerated vesting owing to a cessation of Employment by reason of an involuntary termination without Cause or a voluntary termination for Good Cause pursuant to Section 2(a) above), will remain exercisable until (i) 5:00 P.M. Eastern Time on the last day of the three-month period commencing on the date of such cessation of Employment or (ii) the Final Exercise Date, if earlier, and will thereupon terminate;

(II) such portion, if any, of this Stock Option as is held by the Participant immediately prior to the Participant's death and as is then exercisable, will remain exercisable until (i) 5:00 P.M. Eastern Time on the first anniversary of the Participant's death or (ii) the Final Exercise Date, if earlier, and will thereupon terminate; and

(III) such portion, if any, of this Stock Option as is held by the Participant immediately prior to the cessation of the Participant's Employment for Cause will immediately terminate.

(c) Change of Control. Notwithstanding any other provision of this Section 2 to the contrary, if a Change of Control occurs, whether or not the Change of Control also constitutes a Covered Transaction, and within the 24 months thereafter there is a cessation of the Participant's Employment by reason of an involuntary termination without Cause or a voluntary termination for Good Cause, the provisions of this Section 2(c) shall apply:

(I) This Stock Option, if it survives the Change of Control, including any stock option granted in substitution for this Stock Option in connection with the Change of Control, shall automatically vest and become exercisable immediately prior to such cessation of Employment and will remain exercisable until (i) 5:00 P.M. Eastern Time on the first anniversary of the date of such cessation of Employment or (ii) the Final Exercise Date, if earlier, and will thereupon terminate; provided that, in the event of the Participant's death during such extended exercise period following a Change of Control, any portion of this Stock Option as is held by the Participant immediately prior to the Participant's death will remain exercisable until (i) 5:00 P.M. Eastern Time on the first anniversary of the Participant's death or (ii) the Final Exercise Date, if earlier, and will thereupon terminate.

(II) Any and all performance or other vesting conditions imposed pursuant to Section 7(a)(5) of the Plan with respect to any stock, cash or other property delivered in exchange for this Stock Option in connection with the Change of Control shall automatically be deemed to have been satisfied immediately prior to such cessation of Employment.

(III) For purposes of this Section 2(c), "Employment" shall be deemed to include employment with any successor to the Company's business or assets in connection with a Change of Control.

(IV) For purposes of this Stock Option, "Change of Control" shall mean:

(A) the acquisition by any Person (defined as any individual, entity or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended ("Exchange Act"))) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of the common stock of the Company; provided, however, that for purposes of this subsection (a), an acquisition shall not constitute a Change of Control if it is: (i) either by or directly from the Company, or by an entity controlled by the Company, (ii) by any employee benefit plan, including any related trust, sponsored or maintained by the Company or an entity controlled by the Company ("Benefit Plan"), or (iii) by an entity pursuant to a transaction that complies with the clauses (i), (ii) and (iii) of subsection (C) below; or

(B) individuals who, as of the Date of Grant, constitute the Board (together with the individuals identified in the proviso to this Section 2(c)(IV)(B), the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Date of Grant whose election, or nomination for election by the Company's stockholders, was approved by at least a majority of the directors then comprising the Incumbent Board shall be treated as a member of the Incumbent Board unless he or she assumed office as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(C) consummation of a reorganization, merger or consolidation involving the Company, or a sale or other disposition of all or substantially all of the assets of the Company, (a "transaction") in each case unless, following such transaction, (i) all or substantially all of the Persons who were the beneficial owners of the common stock of the Company outstanding immediately prior to such transaction beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the entity resulting from such transaction (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such transaction, of the outstanding common stock of the Company, (ii) no Person (excluding any entity or wholly owned subsidiary

of any entity resulting from such transaction or any Benefit Plan of the Company or such entity or wholly owned subsidiary of such entity resulting from such transaction) beneficially owns, directly or indirectly, 35% or more of the combined voting power of the then outstanding voting securities of such entity except to the extent that such ownership existed prior to the transaction and (iii) at least a majority of the members of the board of directors or similar board of the entity resulting from such transaction were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such transaction; or

(D) approval by the stockholders of the Company of a liquidation or dissolution of the Company.

(d) Notwithstanding the foregoing provisions of this Section 2, this Stock Option shall not vest or become eligible to vest on any date specified above unless the Participant has continuously been, since the Grant Date until the date immediately prior to such termination of Employment, Employed by the Company, its Affiliates, its subsidiaries, or, following a Change of Control, any successor to the Company's business or assets in connection with the Change of Control."

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

PSIVIDA CORP.

By: /s/ Paul Ashton

Name: Paul Ashton

Title: President and CEO

EXECUTIVE

By: /s/ Leonard S. Ross

Name: Leonard S. Ross