ALDEYRA THERAPEUTICS, INC.

FORM 10-Q
(Quarterly Report)

Filed 11/09/17 for the Period Ending 09/30/17

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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

or

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

For the transition period from _____to _____

Commission File Number: 001-36332

ALDEYRA THERAPEUTICS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**20-1968197**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
131 Hartwell Avenue, Suite 320 Lexington, MA	**02421**
(Address of principal executive offices)	**(Zip Code)**

(781) 761-4904
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically 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 ☒ No ☐

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.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

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

As of November 9, 2017, there were 19,117,676 shares of the registrant’s common stock issued and outstanding.

Aldeyra Therapeutics, Inc.

Quarterly Report on Form 10-Q
For the Quarter Ended September 30, 2017

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Part I – FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

ALDEYRA THERAPEUTICS, INC.

BALANCE SHEETS

	September 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 33,103,849	$ 12,015,061
Marketable securities	14,807,166	12,897,584
Prepaid expenses and other current assets	1,141,727	218,682
Total current assets	49,052,742	25,131,327
Deferred offering costs	138,661	—
Fixed assets, net	38,017	56,352
Total assets	$ 49,229,420	$ 25,187,679
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 485,267	$ 275,441
Accrued expenses	1,507,458	1,946,251
Current portion of credit facility	426,505	77,546
Total current liabilities	2,419,230	2,299,238
Credit facility, net of current portion and debt discount	905,253	1,238,624
Total liabilities	3,324,483	3,537,862
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, $0.001 par value, 15,000,000 shares authorized, none issued and outstanding	—	—
Common stock, voting, $0.001 par value; 150,000,000 authorized and 19,117,676 and 12,576,325 shares issued and outstanding, respectively	19,118	12,576
Additional paid-in capital	138,574,234	98,938,446
Accumulated other comprehensive income (loss)	(1,002)	129
Accumulated deficit	(92,687,413)	(77,301,334)
Total stockholders' equity	45,904,937	21,649,817
Total liabilities and stockholders' equity	$ 49,229,420	$ 25,187,679

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

ALDEYRA THERAPEUTICS, INC.

STATEMENTS OF OPERATIONS (Unaudited)

	Three Months ended September 30,		Nine Months ended September 30,	
	2017	2016	2017	2016
Operating expenses:				
Research and development	$ 3,539,368	$ 3,379,711	$ 10,757,279	$ 9,728,494
General and administrative	1,475,904	1,396,734	4,684,574	4,314,483
Loss from operations	(5,015,272)	(4,776,445)	(15,441,853)	(14,042,977)
Other income (expense):				
Interest income	56,651	27,792	136,652	74,463
Interest expense	(27,578)	(26,654)	(80,878)	(79,507)
Total other income (expense), net	29,073	1,138	55,774	(5,044)
Net loss	$ (4,986,199)	$ (4,775,307)	$ (15,386,079)	$ (14,048,021)
Net loss per share - basic and diluted	$ (0.32)	$ (0.38)	$ (1.04)	$ (1.28)
Weighted average common shares outstanding - basic and diluted	15,581,426	12,474,609	14,844,914	10,942,127

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

ALDEYRA THERAPEUTICS, INC.

STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)

	Three Months ended September 30,		Nine Months ended September 30,	
	2017	2016	2017	2016
Net loss	$ (4,986,199)	$ (4,775,307)	$ (15,386,079)	$ (14,048,021)
Other comprehensive income/(loss):				
Unrealized gain/(loss) on marketable securities	3,638	1,825	(1,131)	14,889
Total other comprehensive income/(loss)	$ 3,638	$ 1,825	$ (1,131)	$ 14,889
Comprehensive loss	$ (4,982,561)	$ (4,773,482)	$ (15,387,218)	$ (14,033,132)

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

ALDEYRA THERAPEUTICS, INC.

STATEMENTS OF CASH FLOWS (Unaudited)

	Nine Months ended September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (15,386,079)	$ (14,048,021)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	2,122,669	2,159,714
Amortization of debt discount – non-cash interest expense	15,588	20,931
Net amortization of premium on debt securities available for sale	165,562	182,963
Depreciation	29,927	26,454
Change in assets and liabilities:		
Prepaid expenses and other current assets	(923,045)	247,346
Accounts payable	209,826	(117,600)
Accrued expenses	(438,793)	290,163
Net cash used in operating activities	(14,204,345)	(11,238,050)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of property and equipment	(11,592)	(11,810)
Purchases of marketable securities	(20,198,275)	(15,378,371)
Sales of marketable securities	18,122,000	13,845,000
Net cash used in investing activities	(2,087,867)	(1,545,181)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	37,474,106	12,702,873
Proceeds from issuance of common stock in Employee Stock Purchase Plan	45,555	—
Deferred offering costs paid in cash	(138,661)	—
Net cash provided by financing activities	37,381,000	12,702,873
NET (DECREASE)/INCREASE IN CASH	21,088,788	(80,358)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	12,015,061	14,648,866
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 33,103,849	$ 14,568,508
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 64,024	$ 58,722
Income taxes	$ —	$ —

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

ALDEYRA THERAPEUTICS, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

1. NATURE OF BUSINESS

Aldeyra Therapeutics, Inc. (the Company or Aldeyra), a Delaware corporation, is developing new products for inflammation, inborn errors of metabolism, and other diseases that are thought to be related to endogenously generated toxic and pro-inflammatory mediators known as aldehydes.

The Company's principal activities to date include raising capital and research and development activities.

2. BASIS OF PRESENTATION

The accompanying interim unaudited condensed financial statements and related disclosures are unaudited and have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the Company's financial statements and related footnotes for the year ended December 31, 2016 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the Securities and Exchange Commission on March 30, 2017. The financial information as of September 30, 2017, the three and nine months ended September 30, 2017 and 2016 is unaudited, but in the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation of the financial position, results of operations and cash flows at the dates and for the periods presented of the results of these interim periods have been included. The balance sheet data as of December 31, 2016 was derived from audited financial statements. The results of the Company's operations for any interim period are not necessarily indicative of the results that may be expected for any other interim period or for a full fiscal year.

In February 2017, the Company closed an underwritten public offering in which it sold, an aggregate of 2,555,555 shares of common stock, including 333,333 shares sold in connection with the exercise in full by the underwriters of their option to purchase additional shares. The net proceeds of the offering, including the full exercise of the option, were approximately $10.6 million, after deducting underwriting discounts, commissions, and other offering expenses payable by Aldeyra.

In June 2017, the Company entered into a Controlled Equity Offering SM sales agreement (Sales Agreement) with Cantor Fitzgerald & Co. (Cantor), as sales agent, pursuant to which the Company may offer and sell, from time to time through Cantor, shares of the Company's common stock, par value $0.001 per share, providing for aggregate sales proceeds of up to $20,000,000. Under the Sales Agreement, Cantor may sell such shares of common stock in sales deemed to be an "at the market offering" (ATM) as defined in Rule 415(a)(4) promulgated under the Securities Act of 1933, as amended, with the Company setting the parameters for the sale of shares thereunder, including the number of shares to be issued, the time period during which sales are requested to be made, any limits on the number of shares that may be sold in any one trading day and any minimum price below which sales may not be made. The Sales Agreement provides that Cantor will be entitled to compensation for its services equal to 3.0% of the gross proceeds from the sale of shares sold pursuant to the Sales Agreement. The Company has no obligation to sell any shares under the Sales Agreement, and may at any time suspend solicitations and offers under the Sales Agreement. No shares have been sold under the Sales Agreement as of September 30, 2017.

In September 2017, the Company closed an underwritten public offering in which it sold, an aggregate of 3,967,500 shares of common stock, including 517,500 shares sold in connection with the exercise in full by the underwriters of their option to purchase additional shares. The net proceeds of the offering, including the full exercise of the option, were approximately $26.9 million, after deducting underwriting discounts, commissions, and other offering expenses payable by Aldeyra.

The Company's management believes that its currently available resources, including amounts potentially available under its credit facility (Note 7), will provide sufficient funds to enable the Company to meet its expected obligations for at least the next 24 months based on the Company's current business plan. However, these amounts will not be sufficient for the Company to develop and commercialize its product candidates or conduct any substantial, additional development requirements requested by the U.S. Food and Drug Administration (FDA). Additional funding may not be available to the Company on acceptable terms, or at all. If the Company is unable to secure additional capital, or meet financial covenants that could be implemented under the Company's term loans in certain circumstances, it will be required to significantly decrease the amount of planned expenditures, and may be required to cease operations.

Curtailment of operations would cause significant delays in the Company's efforts to develop and introduce its products to market, which is critical to the realization of its business plan and the future operations of the Company.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-09 Improvements to Employee Share-Based Payment Accounting (ASU 2016-09), to simplify the accounting for stock compensation. This update focuses on income tax accounting, award classification, estimating forfeitures, and cash flow presentation. The Company adopted ASU 2016-09 in the quarter ended March 31, 2017, and it did not have a material impact on the Company's financial statements.

In February 2016, the FASB issued ASU No. 2016-02 (ASU 2016-02), Leases. ASU 2016-02 requires lessees to recognize on the balance sheet a right-of-use asset, representing its right to use the underlying asset for the lease term, and a lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases. The standard requires the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018. The Company does not expect this standard to have a material impact on its financial statements.

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (ASU 2015-17). ASU 2015-17 simplifies the presentation of deferred income taxes by requiring that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in ASU 2015-17. The Company adopted ASU 2015-17 in the quarter ended March 31, 2017, and it did not have a material impact on the Company's financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03). The amendments in ASU 2015-03 require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Company adopted ASU 2015-03 in the quarter ended March 31, 2017, and it did not have a material impact on the Company's financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of 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. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for fiscal years beginning after December 15, 2017. The Company does not expect the adoption of this standard to have a material impact on its financial statements.

3. NET LOSS PER SHARE

For the three and nine months ended September 30, 2017 and 2016, diluted weighted average common shares outstanding is equal to basic weighted average common shares due to the Company's net loss position.

The following potentially dilutive securities outstanding have been excluded from the computation of diluted weighted-average shares outstanding, because such securities had an antidilutive impact:

	Three Months ended September 30,		Nine Months ended September 30,	
	2017	2016	2017	2016
Options to purchase common stock	2,236,857	1,654,482	2,236,857	1,654,482
Warrants to purchase common stock	1,384,608	1,384,608	1,384,608	1,384,608
Restricted stock units	157,128	27,096	157,128	27,096
Total of common stock equivalents	3,778,593	3,066,186	3,778,593	3,066,186

4. CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES

At September 30, 2017, cash, cash equivalents and marketable securities were comprised of:

	Carrying Amount	Unrecognized Gain	Unrecognized Loss	Estimated Fair Value	Cash Equivalents	Current Marketable Securities
Cash	$ 1,044,417	$ —	$ —	$ 1,044,417	$ 1,044,417	$ —
Money market funds	12,056,919	—	—	12,056,919	12,056,919	—
Reverse repurchase agreements	19,500,000	—	—	19,500,000	19,500,000	—
U.S. government agency securities	15,310,681	166	(1,168)	15,309,679	502,513	14,807,166
Available for Sale(1)	34,810,681	166	(1,168)	34,809,679	20,002,513	14,807,166
Total cash, cash equivalents and current marketable securities					$ 33,103,849	$14,807,166

(1) Available for sale securities are reported at fair value with unrealized gains and losses reported net of taxes in other comprehensive income.

Fair value of government securities and obligations and corporate debt securities were estimated using quoted broker prices and significant other observable inputs.

The contractual maturities of all available for sale securities were less than one year at September 30, 2017.

5. FAIR VALUE MEASUREMENTS

Financial instruments, including cash and accounts payable, are carried in the financial statements at amounts that approximate their fair value based on the short maturities of those instruments. The carrying amount of the Company's term loans under its credit facility approximates market rates currently available to the Company.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value are performed in a manner to maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820, *Fair Value Measurements* , establishes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

Level 1 – Quoted prices in active markets that are accessible at the market date for identical unrestricted assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs for which all significant inputs are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

There were no liabilities measured at fair value at September 30, 2017 or December 31, 2016. The following table presents information about the Company's assets measured at fair value at September 30, 2017 and December 31, 2016:

	September 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$12,056,919	$ —	$ —	$12,056,919
Reverse repurchase agreements	—	19,500,000	—	19,500,000
U.S. government agency securities	—	15,309,679	—	15,309,679
Total assets at fair value	$12,056,919	$34,809,679	$ —	$46,866,598

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$70,212	$ —	$ —	$ 70,212
Reverse repurchase agreements	—	11,550,000	—	11,550,000
U.S. government agency securities	—	12,897,584	—	12,897,584
Total assets at fair value	$70,212	$24,447,584	$ —	$24,517,796

6. ACCRUED EXPENSES

Accrued expenses at September 30, 2017 and December 31, 2016 were:

	September 30, 2017	December 31, 2016
Accrued compensation	$ 645,871	$ 983,449
Accrued research and development	680,637	913,838
Accrued general & administrative	180,950	48,964
Accrued expenses	$ 1,507,458	$ 1,946,251

7. CREDIT FACILITY

The Company's long-term debt obligation consists of amounts the Company is obligated to repay under its credit facility with Pacific Western (Credit Facility), of which $1.4 million was outstanding as of September 30, 2017. The Company entered into the Credit Facility in April 2012 and it has been subsequently amended to make term loans in a principal amount of up to $5.0 million available to the Company with proceeds to be used first to refinance outstanding loans from Pacific Western, second to fund expenses related to its clinical trials, and the remainder for general working capital purposes. The term loans are to be made available upon the following terms: (i) $2.0 million was made available on November 10, 2014; and (ii) $3.0 million (the Tranche B Loan) which was made available to the Company in May 2016 following the satisfaction of certain conditions, including receipt of positive phase 2 data in noninfectious anterior uveitis. Each term loan accrues interest from its date of issue at a variable annual interest rate equal to the greater of 2.0% plus prime or 5.25% per annum. In November 2016, we amended our Credit Facility such that any term loan the Company draws is payable as interest-only prior to November 2017 and thereafter is payable in monthly installments of principal plus accrued interest over 36 months.

The Credit Facility is collateralized by substantially all of the Company's assets, including its intellectual property.

In conjunction with obtaining and amending the Credit Facility, the Company issued warrants to the bank with an aggregate fair value of $266,000, which were recorded as a debt discount. These discounts are being amortized using the effective interest method through the current maturity date of the Credit Facility in November 2018. All amendments to the credit facility were determined to be modifications in accordance with ASC 470, *Debt* and did not result in extinguishment.

At September 30, 2017 and December 31, 2016, the Credit Facility is shown net of a remaining debt discount of $64,000 and $80,000, respectively.

8. INCOME TAXES

No provision for federal and state taxes has been recorded as the Company has incurred losses since inception for tax purposes. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

In assessing the realizability of net deferred taxes in accordance with ASC 740, *Income Taxes* , the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Based on the weight of available evidence, primarily the incurrence of net losses since inception, anticipated net losses in the near future, reversals of existing temporary differences and expiration of various federal and state attributes, the Company does not consider it more likely than not that some or all of the net deferred taxes will be realized. Accordingly, a 100% valuation allowance has been applied against net deferred taxes.

Under Section 382 of the Internal Revenue Code of 1986, as amended (Code), a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change net operating losses (NOLs) and certain other tax assets (tax attributes) to offset future taxable income. In general, an ownership change occurs if the aggregate stock ownership of

certain stockholders increases by more than 50 percentage points over such stockholders' lowest percentage ownership during the testing period (generally three years). Transactions involving the Company's common stock, even those outside the Company's control, such as purchases or sales by investors, within the testing period could result in an ownership change. A limitation on the Company's ability to utilize some or all of its NOLs or credits could have a material adverse effect on the Company's results of operations and cash flows. Prior to 2016, Aldeyra has undergone two ownership changes and it is possible that additional ownership changes have occurred since. However, the Company's management believes that it had sufficient "Built-In-Gain" to offset the Section 382 of the Code limitation generated by such ownership changes. Any future ownership changes, including those resulting from Aldeyra's recent or future financing activities, may cause the Company's existing tax attributes to have additional limitations.

All tax years are open for examination by the taxing authorities for both federal and state purposes.

The Company accounts for uncertain tax positions pursuant to ASC 740 which prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. If the tax position meets this threshold, the benefit to be recognized is measured as the tax benefit having the highest likelihood of being realized upon ultimate settlement with the taxing authority. The Company recognizes interest accrued related to unrecognized tax benefits and penalties in the provision for income taxes. Management is not aware of any uncertain tax positions.

9. STOCK INCENTIVE PLAN

The Company has three equity incentive plans. One was adopted in 2004 (2004 Plan) and provided for the granting of stock options and restricted stock awards and generally prescribed a contractual term of seven years. The 2004 Plan terminated in August 2010. However, grants made under the 2004 Plan are still governed by that plan. As of September 30, 2017, options to purchase 23,954 shares of common stock at a weighted average exercise price of $3.24 per share remained outstanding under the 2004 Plan.

The Company approved the 2010 Employee, Director and Consultant Equity Incentive Plan (2010 Plan) in September 2010 to replace the 2004 Plan. The 2010 Plan provided for the granting of stock options and restricted stock awards. The 2010 Plan terminated in May 2014 upon the initial public offering (Initial Public Offering). However, grants made under the 2010 Plan are still governed by that plan. As of September 30, 2017, options to purchase 413,130 shares of common stock at a weighted average exercise price of $1.58 per share remained outstanding under the 2010 Plan.

The Company approved the 2013 Equity Incentive Plan (2013 Plan) in October 2013. The 2013 Plan became effective immediately on adoption although no awards were to be made under it until the effective date of the Registration Statement for the Initial Public Offering. The 2013 Plan provides for the granting of stock options, restricted stock, stock appreciation rights, stock units, and performance cash awards to certain employees, members of the board of directors and consultants of the Company. As of September 30, 2017, the number of shares of common stock authorized for issuance in connection with the 2013 Plan was 2,761,293. On January 1 of each year the aggregate number of common shares that may be issued under the 2013 Plan shall automatically increase by such a number of shares equal to the least of (a) 7% of the total number of common shares outstanding on the last calendar day of the prior fiscal year, (b) subject to adjustment for certain corporate transactions, 1,000,000 common shares, or (c) a number of common shares determined by the Company's board of directors. As of September 30, 2017, options to purchase 1,799,773 shares of common stock at a weighted average exercise price of $5.64 per share and restricted stock units representing 157,128 shares of common stock remained outstanding under the 2013 Plan. As of September 30, 2017, there were 789,856 shares of common stock available for grant under the 2013 Plan.

Terms of stock award agreements, including vesting requirements, are determined by the Company's board of directors or its compensation committee, subject to the provisions of the respective plan they were granted. Awards granted by the Company typically vest over a four year period. Certain of the awards are subject to acceleration of vesting in the event of certain change of control transactions and certain terminations of service. The awards may be granted for a term of up to ten years from the date of grant. The exercise price for options granted under the 2013 Plan must be at a price no less than 100% of the fair market value of a common share on the date of grant.

The Company recognizes stock-based compensation expense over the requisite service period. The Company's share-based awards are accounted for as equity instruments. The amounts included in the consolidated statements of operations relating to stock-based compensation are as follows:

	Three Months ended September 30,		Nine Months ended September 30,	
	2017	2016	2017	2016
Research and development expenses	$ 224,341	$ 475,026	$ 691,747	$ 972,237
General and administrative expenses	434,998	401,999	1,430,922	1,187,477
Total stock-based compensation expense	$ 659,339	$ 877,025	$ 2,122,669	$ 2,159,714

Stock Options

The table below summarizes activity relating to stock options for the nine months ended September 30, 2017:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Term	Aggregate Intrinsic Value (a)
Outstanding at December 31, 2016	1,498,585	$ 4.63	7.86	$2,186,398
Granted	889,337	5.12		
Cancelled/Forfeited	(151,065)	4.02		
Exercised	—	—		
Outstanding at September 30, 2017	2,236,857	$ 4.87	8.05	$5,438,617
Exercisable at September 30, 2017	1,072,576	$ 4.37	7.00	$3,205,195

(a) The aggregate intrinsic value in this table was calculated on the positive difference, if any, between the closing market price per share of the Company's common stock on September 30, 2017 of $7.20 and the price of the underlying options.

As of September 30, 2017, unamortized stock-based compensation for all stock options was $4,206,251 and will be recognized over a weighted average period of 2.61 years.

Restricted Stock Units

Restricted stock units are not included in issued and outstanding common stock until the underlying shares are vested and released. The table below summarizes activity relating to restricted stock units for the nine months ended September 30, 2017:

	Number of Shares Underlying Restricted Stock Units – Time-Based Awards
Outstanding at December 31, 2016	27,096
Granted	136,806
Earned/released	(6,774)
Outstanding at September 30, 2017	157,128
Weighted average remaining recognition period of outstanding restricted stock units	3.30 years
Unearned stock-based compensation expense of outstanding restricted stock units	$ 700,588
Aggregate intrinsic value of outstanding restricted stock units (a)	$ 1,131,322

(a) The aggregate intrinsic value in this table was calculated on the positive difference, if any, between the closing market price per share of the Company's common stock on September 30, 2017 of $7.20 and the price of the underlying restricted stock unit.

The aggregate intrinsic value of restricted stock units vested during the nine months ended September 30, 2017 was $27,943. The weighted-average grant-date fair value of restricted stock units granted during the nine months ended September 30, 2017 was $5.10 per share.

Employee Stock Purchase Plan

Our 2016 Employee Stock Purchase Plan (2016 ESPP) authorizes the issuance of up to a total of 223,263 shares of the Company's common stock in semi-annual offerings to participating employees at a price equal to the lower of 85% of the closing price on the applicable offering commencement date or 85% of the closing price on the applicable offering termination date. The number of shares reserved for issuance under the 2016 ESPP automatically increases on the first business day of each fiscal year by a number equal to the lesser of (i) 1% of the shares of common stock outstanding on the last business day of the prior fiscal year; or (ii) the number of shares determined by the Company's Board of Directors. Stock-based compensation expense for the 2016 ESPP is recognized for the benefit accorded to the participating employees. At September 30, 2017, we have reserved 211,741 shares for future issuance under the 2016 ESPP. A summary of the weighted-average grant-date fair value, shares issued and total stock-based compensation expense recognized related to the 2016 ESPP as of September 30, 2017 and 2016 are as follows:

	2017	2016
Weighted-average grant-date fair value per share	$ 0.70	$ —
Total shares issued	11,522	—
Total stock-based compensation expense	$ 8,037	$ —

10. STOCK PURCHASE WARRANTS

As of September 30, 2017, there were 1,384,608 warrants to purchase shares of common stock of the Company outstanding with a weighted-average exercise price of $9.52 per share and weighted-average remaining life of 0.3 years. During the nine months ended September 30, 2017, there were no exercises, issuances or expirations of warrants to purchase shares of common stock of the Company. A summary of the common share purchase warrants outstanding and exercisable at September 30, 2017 is as follows:

Exercise Price	Number Outstanding	Expiry Date
$ 10.00	60,000	May 1, 2019
9.50	1,113,080	January 14, 2018
9.50	211,528	January 21, 2018
	1,384,608	

11. COMMITMENTS AND CONTINGENCIES

In the ordinary course of its business, the Company may be involved in various legal proceedings involving contractual and employment relationships, patent or other intellectual property rights, and a variety of other matters. The Company is not aware of any pending legal proceedings that would reasonably be expected to have a material impact on the Company's financial position or results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Note Regarding Forward-Looking Statements

Various statements throughout this report are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this report regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. These statements are subject to risks and uncertainties and are based on information currently available to our management. Words such as, but not limited to, "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "contemplates," "predict," "project," "target," "likely," "potential," "continue," "ongoing," "design," "might," "objective," "will," "would," "should," "could," or the negative of these terms and similar expressions or words, identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. The events and circumstances reflected in our forward-looking statements may not occur and actual results could differ materially from those projected in our forward-looking statements. Meaningful factors which could cause actual results to differ include, but are not limited to:

- the timing of enrollment, commencement and completion of our clinical trials;
- the timing and success of preclinical studies and clinical trials conducted by us and our development partners;
- the ability to obtain and maintain regulatory approval of our product candidates, and the labeling for any approved products;
- the scope, progress, expansion, and costs of developing and commercializing our product candidates;
- the size and growth of the potential markets and pricing for our product candidates and the ability to serve those markets;
- our expectations regarding our expenses and revenue, the sufficiency or use of our cash resources and needs for additional financing;
- the rate and degree of market acceptance of any of our product candidates;
- our expectations regarding competition;
- our anticipated growth strategies;
- our ability to attract or retain key personnel;
- our ability to establish and maintain development partnerships;
- our expectations regarding federal, state and foreign regulatory requirements;
- regulatory developments in the United States and foreign countries;
- our ability to obtain and maintain intellectual property protection for our product candidates; and
- the anticipated trends and challenges in our business and the market in which we operate.

All written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We caution investors not to rely too heavily on the forward-looking statements we make or that are made on our behalf. We undertake no obligation, and specifically decline any obligation, to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in any annual, quarterly or current reports that we may file with the Securities and Exchange Commission (SEC).

We encourage you to read "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors," as well as our unaudited financial statements contained in this quarterly report on Form 10-Q. We also encourage you to read our Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the SEC on March 30, 2017 (Annual Report), which contains a more complete discussion of the risks and uncertainties associated with our business. In addition to the risks described above and in our Annual Report, other unknown or unpredictable factors also could affect our results. Therefore, the information in this report should be read together with other reports and documents that we file with the SEC from time to time, including Forms 10-Q, 8-K and 10-K, which may supplement, modify, supersede or update those risk factors. There can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. Therefore no assurance can be given that the outcomes stated in such forward-looking statements and estimates will be achieved.

Overview

- We are a biotechnology company focused primarily on the development of new products for inflammation, inborn errors of metabolism, and other diseases that are thought to be related to endogenously generated toxic and pro-inflammatory mediators known as aldehydes. Our lead product candidate is reproxalap (formerly known as ADX-102).

We are developing reproxalap, as well as other novel product candidates that are designed specifically to sequester aldehydes, for the treatment of:

- Dry eye disease, a common inflammatory disease estimated to affect approximately 20 million people in the United States that is characterized by insufficient moisture and lubrication associated with the anterior surface of the eye, leading to ocular irritation, burning, stinging, and, in severe cases, loss of vision;
- Allergic conjunctivitis, a common disease that affects more than 20% of the population worldwide, and related rare allergic ocular diseases that are characterized by inflammation of the conjunctiva (a membrane covering part of the front of the eye), resulting in ocular itching, excessive tear production, swelling, and redness;
- Noninfectious anterior uveitis, a rare severe inflammatory eye disease estimated to affect approximately 150,000 patients in the United States that can lead to blindness;
- Sjögren-Larsson Syndrome (SLS), a rare inborn error of metabolism caused by mutations in an enzyme that metabolizes fatty aldehydes, resulting in severe skin and neurological disorders; and
- Succinic Semi-Aldehyde Dehydrogenase (SSADH) Deficiency, a rare inborn error of metabolism caused by genetic mutations in an aldehyde-metabolizing enzyme, leading to severe neurological disease.

In February 2016, we announced that the results of a randomized, parallel-group, double-masked, vehicle-controlled Phase 2a clinical trial of reproxalap ophthalmic solution in patients with allergic conjunctivitis demonstrated statistically significant activity of reproxalap over vehicle in reducing ocular itching and tearing.

In May 2016, we announced that the results of our randomized, parallel-group, investigator-masked, multi-center, active-controlled Phase 2 clinical trial of reproxalap ophthalmic solution in patients with noninfectious anterior uveitis demonstrated that reproxalap reduced inflammatory cell count in the anterior chamber of the eye to a degree similar to that of standard-of-care corticosteroid therapy (which may lead to cataracts and glaucoma in some patients), but without the intraocular pressure elevations that were observed in subjects treated with corticosteroids.

In August 2016, we announced that the results of a randomized, parallel-group, double-blind, multi-center, vehicle-controlled clinical trial of a dermatologic formulation of reproxalap for the treatment of the skin manifestations of SLS demonstrated clinically relevant activity of reproxalap in diminishing the severity of ichthyosis, a serious dermatologic disease characteristic of SLS, that was statistically superior to the results found in vehicle-treated patients.

In April 2017, the United States Food and Drug Administration (FDA) granted reproxalap orphan drug designation for the treatment of congenital ichthyosis, the severe skin condition characteristic of SLS.

In June 2017, we announced that the results of a randomized, parallel-group, double-masked, multi-center, saline-controlled Phase 2b clinical trial of topical ocular reproxalap in patients with allergic conjunctivitis demonstrated statistically significant activity of reproxalap over vehicle in reducing ocular itching.

In August of 2017, the generic name reproxalap was adopted by the United States Adopted Names Council and the International Nonproprietary Names Expert Group for our lead product and first-in-class aldehyde trap (formerly known as ADX-102). The name incorporates a new stem for aldehyde traps, “-alap”, and recognizes aldehyde traps as a novel class of drug.

In September 2017, we announced that the results of a randomized, dose-ranging, parallel-group, double-masked Phase 2a clinical trial of 0.1% reproxalap ophthalmic solution, 0.5% reproxalap ophthalmic solution, and 0.5% reproxalap lipid ophthalmic solution in 51 patients (17 per arm) with dry eye disease for 28 days demonstrated statistically significant improvement of pooled change from baseline in Symptom Assessment in Dry Eye (SANDE) Score ($p=0.003$), Ocular Discomfort Score ($p=0.00002$), Overall Four-Symptom Score ($p=0.0004$), Schirmer (Tear Volume) Test ($p=0.008$), tear osmolarity ($p=0.003$), and Lissamine Green ocular surface staining score ($p=0.002$). A modest dose-response was observed, and activity increased over time from Day 8 to Day 28, supporting the effect of drug. Levels of malondialdehyde, a pro-inflammatory aldehyde mediator sequestered by reproxalap, were significantly reduced in the tears of patients ($p=0.009$), supporting the differentiated mechanism of action relative to other therapies in dry eye disease.

In all clinical trials completed to date, reproxalap was well tolerated, and no serious adverse events have been reported.

We have commenced a Phase 3 clinical trial of reproxalap ophthalmic solution compared to vehicle for the treatment of noninfectious anterior uveitis, and expect to report results from the trial in the second half of 2018.

In the first half of 2018, we expect to commence a Phase 3 clinical trial of reproxalap ophthalmic solution for the treatment of allergic conjunctivitis, and expect to report results from the trial in the second half of 2018.

In the first half of 2018, we expect to commence a Phase 2b clinical trial of reproxalap ophthalmic solution for the treatment dry eye disease, and expect to report results from the trial in the second half of 2018.

In the first half of 2018, we expect to begin part one of a two-part Phase 3 clinical trial of topical dermatologic reproxalap for the treatment of the skin manifestations of SLS, and expect to report results from part one of the trial in the second half of 2018.

In the second half of 2018, we expect to begin a planned Phase 1 clinical trial of a systemically administered aldehyde trap that may subsequently be developed for the treatment of SLS, SSADH Deficiency, or a systemic inflammatory disorder.

We have no products approved for sale. We will not receive any revenue from any product candidates that we develop until we obtain regulatory approval and commercialize such products, or until we potentially enter into agreements with third parties for the development and commercialization of product candidates. If our development efforts for any of our product candidates result in regulatory approval or we enter into collaboration agreements with third parties, we may generate revenue from product sales or from such third parties. We have primarily funded our operations through the sale of our convertible preferred stock, common stock, convertible promissory notes, warrants, and borrowings under our loan and security agreements.

In February 2017, we closed an underwritten public offering in which we sold 2,555,555 shares of our common stock, including 333,333 shares sold in connection with the exercise in full by the underwriters of their option to purchase additional shares. The net proceeds of the offering, including the full exercise of the option, were approximately $10.6 million after deducting underwriting discounts, commissions, and other estimated offering expenses payable by Aldeyra.

In September 2017, the Company closed an underwritten public offering in which it sold an aggregate of 3,967,500 shares of common stock, including 517,500 shares sold in connection with the exercise in full by the underwriters of their option to purchase additional shares. The net proceeds of the offering, including the full exercise of the option, were approximately $26.9 million, after deducting underwriting discounts, commissions, and other offering expenses payable by Aldeyra.

We will need to raise additional capital in the form of debt or equity or through partnerships to fund additional development of reproxalap and other aldehyde traps, and we may in-license, acquire, or invest in complementary businesses or products. In addition, contingent on capital resources, we may augment, diminish, or otherwise modify the clinical development plan described herein.

Research and development expenses

We expense all of our research and development expenses as they are incurred. Research and development costs that are paid in advance of performance are capitalized as a prepaid expense until incurred. Research and development expenses primarily include:

- non-clinical development, preclinical research, and clinical trial and regulatory-related costs;
- expenses incurred under agreements with sites and consultants that conduct our clinical trials;
- expenses related to generating, filing, and maintaining intellectual property; and
- employee-related expenses, including salaries, benefits, travel, and stock-based compensation expense.

Substantially all of our research and development expenses to date have been incurred in connection with reproxalap. We expect our research and development expenses to increase for the foreseeable future as we advance reproxalap and other compounds through preclinical and clinical development. The process of conducting clinical trials necessary to obtain regulatory approval is costly and time-consuming. We are unable to estimate with any certainty the costs we will incur in the continued development of reproxalap and our other product candidates. Clinical development timelines, the probability of success, and development costs can differ materially from expectations. We may never succeed in achieving marketing approval for our product candidates.

The costs of clinical trials may vary significantly over the life of a project owing to, but not limited to, the following:

- per patient trial costs;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the design of the trials;
- the number of patients that participate in the trials;
- the cost to manufacture drug and the number of doses that patients receive;
- the cost of vehicle or active comparative agents used in trials;
- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- the duration of patient follow-up; and
- the efficacy and safety profile of the product candidate.

We do not expect reproxalap and our other product candidates to be commercially available, if at all, for the next several years.

General and administrative expenses

Our general and administrative expenses consisted primarily of payroll expenses, benefits, and stock-based compensation for our full-time employees during the three and nine months ended September 30, 2017 and 2016. Other general and administrative expenses include professional fees for auditing, tax, and legal services. We expect that general and administrative expenses will increase in the future as we expand our operating activities and continue to incur additional costs associated with being a publicly-traded company and maintaining compliance with exchange listing and SEC requirements. These increases will likely include higher consulting costs, legal fees, accounting fees, directors' and officers' liability insurance premiums, and fees associated with investor relations.

Total Other Income (Expense)

Total other income (expense) consists primarily of interest income we earn on interest-bearing accounts and interest expense incurred on our outstanding debt.

Comprehensive loss

Comprehensive loss is defined as the change in equity during a period from transactions and other events and/or circumstances from non-owner sources. For the three months ended September 30, 2017, comprehensive loss is equal to our net loss of $5.0 million and an unrealized gain of $4,000. For the nine months ended September 30, 2017, comprehensive loss is equal to our net loss of $15.4 million and an unrealized loss on marketable securities of $1,000. For the three months ended September 30, 2016, comprehensive loss is equal to our net loss of $4.8 million and an unrealized gain of $2,000. For the nine months ended September 30, 2016, comprehensive loss is equal to our net loss of $14.0 million and an unrealized gain on marketable securities of $15,000.

Critical Accounting Policies

The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of our financial statements, as well as the reported revenues and expenses during the reported periods. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There have been no significant changes in our critical accounting policies including estimates, assumptions, and judgments as described in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report.

Results of Operations

We anticipate that our results of operations will fluctuate for the foreseeable future due to several factors, including the progress of our research and development efforts, the timing and outcome of clinical trials, and regulatory requirements. Our limited operating history makes predictions of future operations difficult or impossible. Since our inception, we have incurred significant losses.

Three months ended September 30, 2017 compared to three months ended September 30, 2016

Research and development expenses. Research and development expenses were $3.5 million for the three months ended September 30, 2017, compared to $3.4 million for the three months ended September 30, 2016. The increase of $0.1 million is primarily related to increases in our external research and development expenditures, including clinical, preclinical, and manufacturing activities.

General and administrative expenses. General and administrative expenses were $1.5 million for the three months ended September 30, 2017, compared to $1.4 million for the three months ended September 30, 2016.

Other income (expense). Total other income (expense), net was $29,000 and $1,000 for the three months ended September 30, 2017 and 2016, respectively. For the three months ended September 30, 2017 and 2016, respectively, other income (expense) primarily consisted of interest income, which was partially offset by interest expense related to our Credit Facility.

Nine months ended September 30, 2017 compared to nine months ended September 30, 2016

Research and development expenses. Research and development expenses were $10.8 million for the nine months ended September 30, 2017, compared to $9.7 million for the nine months ended September 30, 2016. The increase of $1.1 million is primarily related to increases in our external research and development expenditures, partially offset by a reduction in manufacturing and pre-clinicial expenses.

General and administrative expenses. General and administrative expenses were $4.7 million for the nine months ended September 30, 2017, compared to $4.3 million for the nine months ended September 30, 2016. The increase of $0.4 million is primarily related to an increase in personnel costs, including stock-based compensation costs.

Other income (expense). Total other income (expense), net was $56,000 and $(5,000) for the nine months ended September 30, 2017 and 2016, respectively. For the nine months ended September 30, 2017, other income (expense) primarily consisted of interest income, which was partially offset by interest expense related to our Credit Facility. For the nine months ended September 30, 2016, other income (expense) consisted of interest expense related to our Credit Facility, which was partially offset by interest income.

Liquidity and Capital Resources

We have funded our operations primarily from the sale of equity securities and convertible equity securities and borrowings under our Credit Facility discussed below. Since inception, we have incurred operating losses and negative cash flows from operating activities, and have devoted substantially all of our efforts towards research and development. At September 30, 2017, we had total stockholders' equity of approximately $45.9 million, and cash, cash equivalents, and marketable securities of $47.9 million. During the nine months ended September 30, 2017, we had a net loss of approximately $15.4 million. We expect to generate operating losses for the foreseeable future.

Our long-term debt obligation consists of amounts we are obligated to repay under our Credit Facility with Pacific Western, of which $1.4 million was outstanding as of September 30, 2017. In April 2012, we entered into the Credit Facility which was subsequently amended to include term loans in a principal amount of up to $5.0 million. Proceeds were used to refinance outstanding loans from Pacific Western, to fund expenses related to our clinical trials, and for general working capital purposes. Per the terms of the Credit Facility, $2.0 million was made available in November 2014, and $3.0 million was made available to us in May 2016 following the satisfaction of certain conditions, including receipt of positive Phase 2 clinical trial results in noninfectious anterior uveitis. Each term loan accrues interest from its date of issue at a variable annual interest rate equal to the greater of 2.0% plus prime or 5.25% per annum. In November 2016, we amended our Credit Facility such that any term loan we draw is payable as interest-only prior to November 2017, and thereafter is payable in monthly installments of principal plus accrued interest over 36 months.

At September 30, 2017 and December 31, 2016, the Credit Facility is shown net of a remaining debt discount of $64,000 and $80,000, respectively.

In June 2016, we closed an underwritten public offering in which we sold an aggregate of 2,760,000 shares of common stock, including 360,000 shares sold in connection with the exercise in full by the underwriter of its option to purchase additional shares. The net proceeds of the offering, including the full exercise of the option, were approximately $12.6 million after deducting underwriting discounts, commissions, and other offering expenses payable by us. In February 2017, we closed an underwritten public offering in which we sold 2,555,555 shares of our common stock, including 333,333 shares sold in connection with the exercise in full by the underwriters of their option to purchase additional shares. The net proceeds of the offering, including the full exercise of the option, were approximately $10.6 million after deducting underwriting discounts, commissions, and other estimated offering expenses payable by Aldeyra.

In June 2017, we entered into a Controlled Equity Offering SM sales agreement (Sales Agreement) with Cantor Fitzgerald & Co. (Cantor), as sales agent, pursuant to which the Company may offer and sell, from time to time through Cantor, shares of our common stock, par value $0.001 per share, providing for aggregate sales proceeds of up to $20,000,000. Under the Sales Agreement, Cantor may sell such shares of common stock in sales deemed to be an "at the market offering" (ATM) as defined in Rule 415(a)(4) promulgated under the Securities Act of 1933, as amended, and we will set the parameters for the sale of shares, including the number of shares to be issued, the time period during which sales are requested to be made, any limits on the number of shares that may be sold in any one trading day, and any minimum price below which sales may not be made. The Sales Agreement provides that Cantor will be entitled to compensation for its services equal to 3.0% of the gross proceeds from the sale of shares sold pursuant to the Sales Agreement. We have no obligation to sell any shares under the Sales Agreement, and may at any time suspend solicitations and offers under the Sales Agreement. As of September 30, 2017, no shares had been sold under the Sales Agreement.

In September 2017, we closed an underwritten public offering in which we sold an aggregate of approximately 3,967,500 shares of common stock, including 517,500 shares sold in connection with the exercise in full by the underwriters of their option to purchase additional shares. The net proceeds of the offering, including the full exercise of the option, were approximately $26.9 million, after deducting the underwriting discounts, commissions, and other offering expenses payable by Aldeyra.

We believe that our cash, cash equivalents, and marketable securities as of September 30, 2017, together with the amounts available under the Credit Facility, will be adequate to fund operations for at least the next 24 months based on our current business plan. However, these amounts will not be sufficient for us to develop and commercialize our product candidates or conduct any substantial, additional development requirements requested by the FDA. At this time, due to the risks inherent in the drug development process, we are unable to estimate with any certainty the costs we will incur in the continued clinical development of reproxalap and our other product candidates. Subsequent trials initiated at a later date will cost considerably more than prior clinical trials. Accordingly, we will continue to require substantial additional capital to continue our clinical development and potential commercialization activities. The amount and timing of our future funding requirements will depend on many factors, including but not limited to:

- the progress, costs, results of, and timing of our clinical development program for reproxalap and our other product candidates, including our current and planned clinical trials;
- the need for, and the progress, costs, and results of any additional clinical trials of reproxalap, including oral or other systemic formulations, we may initiate based on the results of our planned clinical trials or discussions with the FDA, including any additional trials the FDA or other regulatory agencies may require evaluating the safety of reproxalap and our other product candidates;
- the outcome, costs, and timing of seeking and obtaining regulatory approvals from the FDA, and any similar regulatory agencies;
- the timing and costs associated with manufacturing reproxalap and our other product candidates for clinical trials and other studies and, if approved, for commercial sale;
- our need and ability to hire additional management, development, and scientific personnel;
- the cost to maintain, expand, and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with licensing, filing, prosecuting, defending, and enforcing of any patents or other intellectual property rights;
- the timing and costs associated with establishing sales and marketing capabilities;
- market acceptance of reproxalap and our other product candidates;
- the costs of acquiring, licensing, or investing in additional businesses, products, product candidates, and technologies; and
- our need to remediate any material weaknesses and implement additional internal systems and infrastructure, including financial and reporting systems.

We may need or desire to obtain additional capital to finance our operations through debt, equity, or alternative financing arrangements. We may also seek capital through collaborations or partnerships with other companies. The issuance of debt could require us to grant additional liens on certain of our assets that may limit our flexibility. If we raise additional capital by issuing equity securities, the terms and prices for these financings may be much more favorable to the new investors than the terms obtained by our existing stockholders. These financings also may significantly dilute the ownership of our existing stockholders. If we are unable to obtain additional financing, we may be required to reduce the scope of our future activities, which could harm our business, financial condition, and operating results. There can be no assurance that any additional financing required in the future will be available on acceptable terms, if at all.

We will continue to incur costs as a public company, including, but not limited to, costs and expenses for directors fees; increased directors and officers insurance; investor relations fees; expenses for compliance with the Sarbanes-Oxley Act of 2002 and rules implemented by the SEC and Nasdaq, on which our common stock is listed; and various other costs. The Sarbanes-Oxley Act of 2002 requires that we maintain effective disclosure controls and procedures and internal controls.

The following table summarizes our cash flows for the nine months ended September 30, 2017 and 2016:

	Nine months ended September 30,	
	2017	2016
Net cash used in operating activities	$(14,204,345)	$(11,238,050)
Net cash used in investing activities	(2,087,867)	(1,545,181)
Net cash provided by financing activities	37,381,000	12,702,873
Net increase (decrease) in cash and cash equivalents	$ 21,088,788	$ (80,358)

Operating Activities . Net cash used in operating activities was $14.2 million for the nine months ended September 30, 2017, compared to net cash used in operating activities of $11.2 million for the same period in 2016. The primary use of cash was to fund our operations. The increase in the amount of cash used in operating activities for the nine months ended September 30, 2017 as compared to 2016 was primarily due to an increase in research and development expenses and general and administrative expenses.

Investing Activities . Net cash used in investing activities was $2.1 million for the nine months ended September 30, 2017, compared to $1.5 million used in investing activities for the nine months ended September 30, 2016. For the nine months ended September 30, 2017 and 2016, respectively, the primary use of cash for investing activities was for the net purchase of marketable securities, and for the purchase of computers and related equipment.

Financing Activities . Net cash provided by financing activities was $37.4 million for the nine months ended September 30, 2017, compared to net cash provided by financing activities of $12.7 million for the nine months ended September 30, 2016. The net cash provided by financing activities for the nine months ended September 30, 2017 was related to our February and September 2017 offerings. The net cash provided by financing activities for the nine months ended September 30, 2016 was related to our June 2016 public offering.

Off-Balance Sheet Arrangements

Through September 30, 2017, we have not entered into and did not have any relationships with unconsolidated entities or financial collaborations, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purpose.

Contractual Obligations

Other than as set forth below, there have been no material changes since December 31, 2016 to our contractual obligations from the information provided in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, other than payments made or received in the ordinary course of business.

In September, 2017, we executed a Lease Agreement (the “Office Lease”) for approximately 6,924 square feet of office space located in Lexington, Massachusetts (the “Premises”). We intend to continue to use the Premises as our corporate headquarters. The term of the Office Lease is through December 31, 2020, or as extended under our option to extend in the Office Lease. The Office Lease provides for a monthly base rent of $13,559, commencing on December 1, 2017. In addition to the base rent, we are required to pay the landlord certain operating expenses, taxes and other fees in accordance with the terms of the Office Lease.

Item 3. Quantitative and Qualitative Disclosures about M arket Risk

Interest rates

Our exposure to market risk is currently confined to our cash and cash equivalents and our Credit Facility. We have not used derivative financial instruments for speculation or trading purposes. Because of the short-term maturities of our cash, cash equivalents and marketable securities, we do not believe that an increase in market rates would have any significant impact on the realized value of our investments. Our Credit Facility accrues interest from its date of issue at a variable annual interest rate equal to the greater of 2.0% plus prime or 5.25% per annum.

Effects of inflation

Inflation has not had a material impact on our results of operations.

Item 4. Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Financial Officer and Chief Executive Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act)) as of September 30, 2017. Based on our management’s evaluation (with the participation of our Chief Executive Officer and President and our Chief Financial Officer), as of the end of the period covered by this report, our Chief Executive Officer and President and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

Our business is subject to numerous risks. You should carefully consider the risks described below together with the other information set forth in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC on March 30, 2017, which could materially affect our business, financial condition and future results. The risks described below are not the only risks facing our company. Risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, prospects, financial condition and operating results.

Risks Related to our Business

We have incurred significant operating losses since inception, and we expect to incur significant losses for the foreseeable future. We may never become profitable or, if achieved, be able to sustain profitability.

We have incurred significant operating losses since we were founded in 2004 and expect to incur significant losses for the next several years as we continue our clinical trial and development programs for reproxalap (formerly ADX-102) and our other product candidates. Net loss for the nine months ended September 30, 2017 and 2016 was approximately $15.4 million and $14.0 million, respectively. As of September 30, 2017, we had total stockholders' equity of $45.9 million. Losses have resulted principally from costs incurred in our clinical trials, research and development programs and from our general and administrative expenses. In the future, we intend to continue to conduct research and development, clinical testing, regulatory compliance activities and, if reproxalap or any of our other product candidates is approved, sales and marketing activities that, together with anticipated general and administrative expenses, will likely result in our incurring further significant losses for the next several years.

We currently generate no revenue from sales, and we may never be able to commercialize reproxalap or our other product candidates. We do not currently have the required approvals to market any of our product candidates and we may never receive them. We may not be profitable even if we or any of our future development partners succeed in commercializing any of our product candidates. Because of the numerous risks and uncertainties associated with developing and commercializing our product candidates, we are unable to predict the extent of any future losses or when we will become profitable, if at all.

Our business is dependent in large part on the success of a single product candidate, reproxalap. We cannot be certain that we will be able to obtain regulatory approval for, or successfully commercialize, reproxalap.

Our product candidates are in the early stage of development and will require additional preclinical studies, substantial clinical development and testing, and regulatory approval prior to commercialization. We have not yet completed development of any product. We have only one product candidate that has been the focus of significant development: reproxalap, a novel small molecule chemical entity that is believed to trap and allow for the degradation of aldehydes, toxic chemical species suspected to cause and exacerbate numerous diseases in humans and animals. We are largely dependent on successful continued development and ultimate regulatory approval of this product candidate for our future business success. We have invested, and will continue to invest, a significant portion of our time and financial resources in the development of reproxalap. We will need to raise sufficient funds for, and successfully enroll and complete, our current and planned clinical trials of reproxalap. The future regulatory and commercial success of this product candidate is subject to a number of risks, including the following:

- we may not have sufficient financial and other resources to complete the necessary clinical trials for reproxalap and our other product candidates;
- we may not be able to provide evidence of safety and efficacy for reproxalap and our other product candidates;
- we may not be able to timely or adequately finalize the design or formulation of any product candidate or demonstrate that a formulation of our product candidate will be stable for commercially reasonable time periods;
- the safety and efficacy results of our later phase or larger clinical trials may not confirm the results of our earlier trials;
- there may be variability in patients, adjustments to clinical trial procedures and inclusion of additional clinical trial sites;
- the results of our clinical trials may not meet the endpoints, or level of statistical or clinical significance required by the FDA, or comparable foreign regulatory bodies for marketing approval;

- patients in our clinical trials may suffer other adverse effects or die for reasons that may or may not be related to reproxalap and our other product candidates;
- if approved for certain diseases, reproxalap and our other product candidates will compete with well-established products already approved for marketing by the FDA, including corticosteroids and other agents that have demonstrated varying levels of efficacy in some of the diseases for which we may attempt to develop reproxalap and our other product candidates;
- the effects of legislative or regulatory reform of the health care system in the U.S. or other jurisdictions in which we may do business; and
- we may not be able to obtain, maintain or enforce our patents and other intellectual property rights.

Of the large number of drugs in development in the pharmaceutical industry, only a small percentage result in the submission of a NDA to the FDA and even fewer are approved for commercialization. Furthermore, even if we do receive regulatory approval to market reproxalap and our other product candidates, any such approval may be subject to limitations on the indicated uses for which we may market the product. Accordingly, even if we are able to obtain the requisite financing to continue to fund our development programs, we cannot assure you that reproxalap and our other product candidates will be successfully developed or commercialized. If we or any of our future development partners are unable to develop, or obtain regulatory approval for or, if approved, successfully commercialize, reproxalap and or our other product candidates, we may not be able to generate sufficient revenue to continue our business.

Because we have limited experience developing clinical-stage compounds, there is a limited amount of information about us upon which you can evaluate our product candidates and business prospects.

We commenced our first clinical trial in 2010, and we have limited experience developing clinical-stage compounds upon which you can evaluate our business and prospects. In addition, as an early-stage clinical development company, we have limited experience in conducting clinical trials, and we have never conducted clinical trials of a size required for regulatory approvals. Further, we have not yet demonstrated an ability to successfully overcome many of the risks and uncertainties frequently encountered by companies in new and rapidly evolving fields, particularly in the biopharmaceutical area. For example, to execute our business plan we will need to successfully:

- execute our product candidate development activities, including successfully designing and completing our clinical trial programs and product design and formulation of future product candidates;
- obtain required regulatory approvals for our product candidates;
- manage our spending as costs and expenses increase due to the performance and completion of clinical trials, attempting to obtain regulatory approvals, manufacturing and commercialization;
- secure substantial additional funding;
- develop and maintain successful strategic relationships;
- build and maintain a strong intellectual property portfolio;
- build and maintain appropriate clinical, sales, distribution, and marketing capabilities on our own or through third parties; and
- gain broad market acceptance for our product candidates.

If we are unsuccessful in accomplishing these objectives, we may not be able to develop product candidates, raise capital, expand our business, or continue our operations.

The results of preclinical studies and early clinical trials are not always predictive of future results. Any product candidate we or any of our future development partners advance into clinical trials, including reproxalap, may not have favorable results in later clinical trials, if any, or receive regulatory approval.

Drug development has inherent risk. We or any of our future development partners will be required to demonstrate through adequate and well-controlled clinical trials that our product candidates are safe and effective, with a favorable benefit-risk profile, for use in their target indications before we can seek regulatory approvals for their commercial sale. Drug development is a long, expensive and uncertain process, and delay or failure can occur at any stage of development, including after commencement of any of our clinical trials. In addition, as product candidates proceed through development, the trial designs may often be different from phase to phase, the vehicles or controls may be modified from trial to trial and the product formulations or manufacturing process may

differ due to the need to test product candidate samples that can be manufactured on a commercial scale. Success in early clinical trials does not mean that later clinical trials will be successful because product candidates in later-stage clinical trials may fail to demonstrate sufficient safety or efficacy despite having progressed through initial clinical testing. Furthermore, our clinical trials will need to demonstrate sufficient safety and efficacy for approval by regulatory authorities in larger patient populations. Companies frequently suffer significant setbacks in advanced clinical trials, even after earlier clinical trials have shown promising results. In addition, only a small percentage of drugs under development result in the submission of an NDA to the FDA and even fewer are approved for commercialization.

In addition, the presumed mechanisms of aldehyde-mediated inflammation are distinct from the presumed aldehyde-mediated pathology in inborn errors of metabolism, and the efficacy and safety of reproxalap or our other product candidates in one indication does not predict the safety and efficacy of reproxalap and our other product candidates in other indications.

Because we are developing novel product candidates for the treatment of diseases in a manner which there is little clinical drug development experience and, in some cases, are using new endpoints or methodologies, the regulatory pathways for approval are not well defined, and, as a result, there is greater risk that our clinical trials will not result in our desired outcomes.

Our clinical focus is on the development of new products for inflammation, inborn errors of metabolism, and other diseases that are thought to be related to naturally occurring toxic and pro-inflammatory chemical species known as aldehydes. Our Phase 3 vehicle-controlled clinical program in noninfectious anterior uveitis and our planned Phase 3 clinical program in SLS represent the first such clinical trials performed, and thus the comparative effects of vehicle and drug are unpredictable.

We could also face challenges in designing clinical trials and obtaining regulatory approval of aldehyde sequestering agents due to the small number of historical clinical trial experience for this novel class of therapeutics. Because no aldehyde sequestering agents have received regulatory approval anywhere in the world, it is difficult to determine whether regulatory agencies will be receptive to the approval of our product candidates and to predict the time and cost associated with obtaining regulatory approval. The clinical trial requirements of the FDA and other regulatory agencies and the criteria these regulators use to determine the safety and efficacy of a product candidate vary substantially according to the type, complexity, novelty and intended use and market of the potential products. The regulatory approval process for novel product candidates such as ours can be more expensive and take longer than for other, better known or more extensively studied classes of product candidates. Any inability to design clinical trials with protocols and endpoints acceptable to applicable regulatory authorities, and to obtain regulatory approvals for our product candidates, would have an adverse impact on our business, prospects, financial condition and results of operations.

Because reproxalap and our other product candidates are, to our knowledge, new chemical entities, it is difficult to predict the time and cost of development and our ability to successfully complete clinical development of these product candidates and obtain the necessary regulatory approvals for commercialization.

Our product candidates are, to our knowledge, new chemical entities, and unexpected problems related to such new technology may arise that can cause us to delay, suspend or terminate our development efforts. Although we have seen signs of efficacy and observed reproxalap to be well tolerated in our clinical trials to date, because reproxalap is a novel chemical entity with limited use in humans, short and long-term safety, as well as prospects for efficacy, are poorly understood and difficult to predict due to our and regulatory agencies' lack of experience with them. Regulatory approval of new product candidates such as reproxalap can be more expensive and take longer than approval for other more well-known or extensively studied pharmaceutical or biopharmaceutical product candidates.

Our dermatologic topical formulation of reproxalap is unlikely to affect other clinical manifestations of Sjögren-Larsson Syndrome, which may decrease the likelihood of regulatory and commercial acceptance.

While the primary day-to-day complaint of SLS patients and their caregivers are symptoms associated with severe skin disease, SLS patients also manifest varying degrees of delay in mental development, spasticity, seizures and retinal disease. In August 2016, we announced that the results of our randomized, parallel-group, double-masked, vehicle-controlled clinical trial of a dermatologic formulation of reproxalap for the treatment of the skin manifestations of SLS demonstrated clinically relevant activity of reproxalap in diminishing the severity of ichthyosis, a serious dermatologic disease characteristic of SLS. There were no serious adverse events reported in any of these trials. However, due to expected low systemic exposure of reproxalap when administered topically to the skin, it is unlikely that reproxalap will significantly affect the non-dermatologic conditions of SLS. Lack of effect in neurologic and ocular manifestations of SLS may negatively impact the potential market for reproxalap in SLS and may also negatively impact reimbursement, pricing and commercial acceptance of reproxalap, if it is approved.

Reproxalap and our other product candidates are subject to extensive regulation, compliance with which is costly and time consuming, and such regulation may cause unanticipated delays, or prevent the receipt of the required approvals to commercialize our product candidates.

The clinical development, manufacturing, labeling, storage, record-keeping, advertising, promotion, import, export, marketing, and distribution of our product candidates are subject to extensive regulation by the FDA in the United States and by comparable authorities in foreign markets. In the United States, we are not permitted to market our product candidates until we receive regulatory approval from the FDA. The process of obtaining regulatory approval is expensive, often takes many years, and can vary substantially based upon the type, complexity, and novelty of the products involved, as well as the target indications, and patient population. Approval policies or regulations may change and the FDA has substantial discretion in the drug approval process, including the ability to delay, limit, or deny approval of a product candidate for many reasons. Despite the time and expense invested in clinical development of product candidates, regulatory approval is never guaranteed.

Reproxalap, our other product candidates and the activities associated with development and potential commercialization, including testing, manufacture, safety, efficacy, recordkeeping, labeling, storage, approval, advertising, promotion, sale and distribution, are subject to extensive regulation by the FDA and other regulatory agencies in the United States and by comparable authorities in other jurisdictions.

Our ongoing research and development activities and planned clinical development for our product candidates may be delayed, modified or ceased for a variety of reasons, including:

- determining that a product candidate is ineffective or causes harmful side effects during preclinical studies or clinical trials;
- difficulty establishing predictive preclinical models for demonstration of safety and efficacy of a product candidate in one or more potential therapeutic areas for clinical development;
- difficulties in manufacturing a product candidate, including the inability to manufacture a product candidate in a sufficient quantity, suitable form, or in a cost-effective manner, or under processes acceptable to the FDA for marketing approval;
- the proprietary rights of third parties, which may preclude us from developing or commercializing a product candidate;
- determining that a product candidate may be uneconomical to develop or commercialize, or may fail to achieve market acceptance or adequate reimbursement;
- our inability to secure strategic partners which may be necessary for advancement of a product candidate into clinical development or commercialization; or
- our prioritization of other product candidates for advancement.

The FDA or comparable foreign regulatory authorities can delay, limit, or deny approval of a product candidate for many reasons, including:

- such authorities may disagree with the design or implementation of our or any of our future development partners' clinical trials, including the end points of our clinical trials;
- we or any of our future development partners may be unable to demonstrate to the satisfaction of the FDA or other regulatory authorities that a product candidate is safe and effective for any indication;
- such authorities may not accept clinical data from trials which are conducted at clinical facilities or in countries where the standard of care is potentially different from the United States;
- the results of clinical trials may not demonstrate the safety or efficacy required by such authorities for approval;
- we or any of our future development partners may be unable to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- such authorities may disagree with our interpretation of data from preclinical studies or clinical trials or the design of such trials;
- such authorities may find deficiencies in the manufacturing processes or facilities of third-party manufacturers with which we or any of our future development partners contract for clinical and commercial supplies; or

- the approval policies or regulations of such authorities may significantly change in a manner rendering our or any of our future development partners' clinical data insufficient for approval.

With respect to foreign markets, approval procedures vary among countries and, in addition to the aforementioned risks, can involve additional product testing, administrative review periods and agreements with pricing authorities. In addition, events raising questions about the safety of certain marketed pharmaceuticals may result in increased cautiousness by the FDA and comparable foreign regulatory authorities in reviewing new drugs based on safety, efficacy or other regulatory considerations and may result in significant delays in obtaining regulatory approvals. Any delay in obtaining, or inability to obtain, applicable regulatory approvals would prevent us or any of our future development partners from commercializing our product candidates. Moreover, we cannot predict healthcare reform initiatives, including potential reductions in federal funding, that may be adopted in the future and whether or not any such reforms would have an adverse effect on our business and our ability to obtain regulatory approval for our current or future product candidates.

Any termination or suspension of, or delays in the commencement or completion of, our clinical trials could result in increased costs to us, delay or limit our ability to generate revenue and adversely affect our commercial prospects.

Delays in the commencement or completion of our planned clinical trials for reproxalap or other product candidates could significantly affect our product development costs. We do not know whether future trials will begin on time or be completed on schedule, if at all. The commencement and completion of clinical trials can be delayed for a number of reasons, including delays related to:

- the FDA failing to grant permission to proceed or placing the clinical trial on hold;
- subjects failing to enroll or remain in our clinical trials at the rate we expect;
- subjects choosing an alternative treatment for the indication for which we are developing reproxalap or other product candidates, or participating in competing clinical trials;
- lack of adequate funding to continue the clinical trial;
- subjects experiencing severe or unexpected drug-related adverse effects;
- a facility manufacturing reproxalap, any of our other product candidates or any of their components being ordered by the FDA or other government or regulatory authorities, to temporarily or permanently shut down due to violations of current Good Manufacturing Practices, or cGMP, or other applicable requirements, or infections or cross-contaminations of product candidates in the manufacturing process;
- any changes to our manufacturing process that may be necessary or desired;
- inability to timely manufacture sufficient quantities of the applicable product candidate for the clinical trial or expiration of materials intended for use in the clinical trial;
- third-party clinical investigators losing the licenses or permits necessary to perform our clinical trials, not performing our clinical trials on our anticipated schedule or consistent with the clinical trial protocol, Good Clinical Practice or regulatory requirements, or other third parties not performing data collection or analysis in a timely or accurate manner;
- inspections of clinical trial sites by the FDA or the finding of regulatory violations by the FDA or an institutional review board, or IRB, that require us to undertake corrective action, result in suspension or termination of one or more sites or the imposition of a clinical hold on the entire trial, or that prohibit us from using some or all of the data in support of our marketing applications;
- third-party contractors becoming debarred or suspended or otherwise penalized by the FDA or other government or regulatory authorities for violations of regulatory requirements, in which case we may need to find a substitute contractor, and we may not be able to use some or all of the data produced by such contractors in support of our marketing applications; or
- one or more IRBs refusing to approve, suspending or terminating the trial at an investigational site, precluding enrollment of additional subjects, or withdrawing its approval of the trial.

Product development costs will increase if we have delays in testing or approval of reproxalap and our other product candidates or if we need to perform more or larger clinical trials than planned. Additionally, changes in regulatory requirements and policies may occur and we may need to amend clinical trial protocols to reflect these changes. Amendments may require us to resubmit our clinical trial protocols to IRBs for reexamination, which may impact the costs, timing or successful completion of a clinical trial. If we experience delays in completion of or if we, the FDA or other regulatory authorities, the IRB, other reviewing entities, or any of our

clinical trial sites suspend or terminate any of our clinical trials, the commercial prospects for a product candidate may be harmed and our ability to generate product revenues will be delayed. In addition, many of the factors that cause, or lead to, termination or suspension of, or a delay in the commencement or completion of, clinical trials may also ultimately lead to the denial of regulatory approval of a product candidate. Further, if one or more clinical trials are delayed, our competitors may be able to bring products to market before we do, and the commercial viability of reproxalap or other product candidates could be significantly reduced.

We may find it difficult to enroll patients in our clinical trials or identify patients during commercialization (if our products are approved by regulatory agencies) for product candidates addressing orphan or rare diseases.

As part of our business strategy, we plan to evaluate the development and commercialization of product candidates for the treatment of orphan and other rare diseases. Given that we are in the early stages of clinical trials for reproxalap, we may not be able to initiate or continue clinical trials if we are unable to locate a sufficient number of eligible patients willing and able to participate in the clinical trials required by the FDA or other non-United States regulatory agencies. In addition, if others develop product candidates for the treatment of similar diseases, we would potentially compete with them for the enrollment in these rare patient populations, which may adversely impact the rate of patient enrollment in and the timely completion of our current and planned clinical trials. Additionally, insufficient patient enrollment, may be a function of many other factors, including the size and nature of the patient population, the nature of the protocol, the proximity of patients to clinical sites, the timing and magnitude of disease symptom presentation, the availability of effective treatments for the relevant disease, and the eligibility criteria for the clinical trial. Our inability to identify and enroll a sufficient number of eligible patients for any of our current or future clinical trials would result in significant delays or may require us to abandon one or more clinical trials altogether. Delays in patient enrollment in the future as a result of these and other factors may result in increased costs or may affect the timing or outcome of our clinical trials, which could prevent us from completing these trials and adversely affect our ability to advance the development of our product candidates. Further, if our products are approved by regulatory agencies, we may not be able to identify sufficient number of patients to generate significant revenues.

Any product candidate we or any of our future development partners advance into clinical trials may cause unacceptable adverse events or have other properties that may delay or prevent its regulatory approval or commercialization or limit its commercial potential.

Unacceptable adverse events caused by any of our product candidates that we advance into clinical trials could cause us or regulatory authorities to interrupt, delay, or halt clinical trials and could result in the denial of regulatory approval by the FDA or other regulatory authorities for any or all targeted indications and markets. This in turn could prevent us from completing development or commercializing the affected product candidate and generating revenue from its sale.

We have not yet completed testing of any of our product candidates in humans for the treatment of the indications for which we intend to seek approval, and we currently do not know the extent of adverse events, if any, that will be observed in patients who receive any of our product candidates. Reproxalap, for example, has been observed to be toxic at high concentrations in *in vitro* human dermal tissue. In addition, there was transient and generally mild to moderate stinging noted in the reproxalap treatment arm of our Phase 2 clinical trials in allergic conjunctivitis, noninfectious anterior uveitis and dry eye disease. However, there were no serious adverse events in such trials. In preparation for clinical testing of systemically administered reproxalap, we believe that we have identified a preliminary No Adverse Effect Level in preclinical toxicology studies where reproxalap is administrated intravenously. If any of our product candidates cause unacceptable adverse events in clinical trials, which may be larger or longer than those previously conducted, we may not be able to obtain regulatory approval or commercialize such product candidate.

Final marketing approval for reproxalap or our other product candidates by the FDA or other regulatory authorities for commercial use may be delayed, limited, or denied, any of which would adversely affect our ability to generate operating revenues.

After the completion of our clinical trials and, assuming the results of the trials are successful, the submission of an NDA, we cannot predict whether or when we will obtain regulatory approval to commercialize reproxalap or our other product candidates and we cannot, therefore, predict the timing of any future revenue. We cannot commercialize reproxalap or our other product candidates until the appropriate regulatory authorities have reviewed and approved the applicable applications. We cannot assure you that the regulatory agencies will complete their review processes in a timely manner or that we will obtain regulatory approval for reproxalap or our other product candidates. In addition, we may experience delays or rejections based upon additional government regulation from future legislation or administrative action or changes in FDA policy during the period of product development, clinical trials and FDA regulatory review. If marketing approval for reproxalap or our other product candidates is delayed, limited or denied, our ability to market the product candidate, and our ability to generate product sales, would be adversely affected.

Even if we obtain marketing approval for reproxalap or any other product candidate, it could be subject to restrictions or withdrawal from the market and we may be subject to penalties if we fail to comply with regulatory requirements or if we experience unanticipated problems with our product candidate, when and if any of them are approved.

Even if United States regulatory approval is obtained, the FDA may still impose significant restrictions on a product's indicated uses or marketing or impose ongoing requirements for potentially costly and time consuming post-approval studies, post-market surveillance or clinical trials. Following approval, if any, of reproxalap or any other product candidates, such candidate will also be subject to ongoing FDA requirements governing the labeling, packaging, storage, distribution, safety surveillance, advertising, promotion, recordkeeping and reporting of safety and other post-market information. In addition, manufacturers of drug products and their facilities are subject to continual review and periodic inspections by the FDA and other regulatory authorities for compliance with cGMP requirements, including those relating to quality control, quality assurance and corresponding maintenance of records and documents. If we or a regulatory agency discovers previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, a regulatory agency may impose restrictions on that product, the manufacturing facility or us, including requesting recall or withdrawal of the product from the market or suspension of manufacturing.

If we or the manufacturing facilities for reproxalap or any other product candidate that may receive regulatory approval, if any, fail to comply with applicable regulatory requirements, a regulatory agency may:

- issue warning letters or untitled letters;
- seek an injunction or impose civil or criminal penalties or monetary fines;
- suspend or withdraw regulatory approval;
- suspend any ongoing clinical trials;
- refuse to approve pending applications or supplements or applications filed by us;
- suspend or impose restrictions on operations, including costly new manufacturing requirements; or
- seize or detain products, refuse to permit the import or export of product, or request us to initiate a product recall.

The occurrence of any event or penalty described above may inhibit our ability to commercialize our product candidates and generate revenue.

The FDA has the authority to require a risk evaluation and mitigation strategy plan as part of a NDA or after approval, which may impose further requirements or restrictions on the distribution or use of an approved drug, such as limiting prescribing to certain physicians or medical centers that have undergone specialized training, limiting treatment to patients who meet certain safe-use criteria and requiring treated patients to enroll in a registry.

In addition, if reproxalap or any of our other product candidates is approved, our product labeling, advertising and promotion would be subject to regulatory requirements and continuing regulatory review. The FDA strictly regulates the promotional claims that may be made about prescription products. In particular, a product may not be promoted for uses that are not approved by the FDA as reflected in the product's approved labeling. If we receive marketing approval for a product candidate, physicians may nevertheless prescribe it to their patients in a manner that is inconsistent with the approved label. If we are found to have promoted such off-label uses, we may become subject to significant liability. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant sanctions. The federal government has levied large civil and criminal fines against companies for alleged improper promotion and has enjoined several companies from engaging in off-label promotion. The FDA has also requested that companies enter into consent decrees or permanent injunctions under which specified promotional conduct is changed or curtailed.

Even if we receive regulatory approval for reproxalap or any other product candidate, we still may not be able to successfully commercialize it and the revenue that we generate from its sales, if any, could be limited.

Even if our product candidates receive regulatory approval, they may not gain market acceptance among physicians, patients, healthcare payors, and the medical community. Coverage and reimbursement of our product candidates by third-party payors, including government payors, is also generally necessary for commercial success. The degree of market acceptance of our product candidates will depend on a number of factors, including:

- demonstration of clinical efficacy and safety compared to other more-established products;

- the limitation of our targeted patient population and other limitations or warnings contained in any FDA-approved labeling;
- acceptance of a new formulation by health care providers and their patients;
- the prevalence and severity of any adverse effects;
- new procedures or methods of treatment that may be more effective in treating or may reduce the incidences of SLS or other conditions for which our products are intended to treat;
- pricing and cost-effectiveness;
- the effectiveness of our or any future collaborators' sales and marketing strategies;
- our ability to obtain and maintain sufficient third-party coverage or reimbursement from government health care programs, including Medicare and Medicaid, private health insurers and other third-party payors;
- unfavorable publicity relating to the product candidate; and
- the willingness of patients to pay out-of-pocket in the absence of third-party coverage.

Moreover, we cannot predict what healthcare reform initiatives may be adopted in the future. Further federal and state legislative and regulatory developments are likely, and we expect ongoing initiatives in the U.S. to increase pressure on drug pricing. Such reforms could have an adverse effect on anticipated revenues from our current or future product candidates for which we may obtain regulatory approval and may affect our overall financial condition and ability to develop drug candidates.

If any product candidate is approved but does not achieve an adequate level of acceptance by physicians, hospitals, healthcare payors or patients, we may not generate sufficient revenue from that product candidate and may not become or remain profitable. Our efforts to educate the medical community and third-party payors on the benefits of reproxalap or any of our other product candidates may require significant resources and may never be successful. In addition, our ability to successfully commercialize our product candidate will depend on our ability to manufacture our products, differentiate our products from competing products and defend the intellectual property of our products.

Reimbursement may be limited or unavailable in certain market segments for our product candidates, which could make it difficult for us to sell our product candidates profitably.

Market acceptance and sales of our product candidates will depend significantly on the availability of adequate insurance coverage and reimbursement from third-party payors for any of our product candidates and may be affected by existing and future health care reform measures. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which drugs they will pay for and establish reimbursement levels. As a result of negative trends in the general economy in the U.S. or other jurisdictions in which we may do business, these organizations may be unable to satisfy their reimbursement obligations or may delay payment. Reimbursement by a third-party payor may depend upon a number of factors including the third-party payor's determination that use of a product candidate is:

- a covered benefit under its health plan;
- safe, effective, and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

Obtaining coverage and reimbursement approval for a product candidate from a government or other third-party payor is a time-consuming and costly process that could require us to provide supporting scientific, clinical and cost effectiveness data for the use of the applicable product candidate to the payor. We may not be able to provide data sufficient to gain acceptance with respect to coverage and reimbursement. We cannot be sure that coverage or adequate reimbursement will be available for any of our product candidates. Further, we cannot be sure that reimbursement amounts will not reduce the demand for, or the price of, our product candidates. If reimbursement is not available or is available only in limited levels, we may not be able to commercialize certain of our product candidates profitably, or at all, even if approved. In recent years, through legislative and regulatory actions, the federal government has made substantial changes to various payment systems under the Medicare program. Comprehensive reforms to the U.S. healthcare system were recently enacted, including changes to the methods for, and amounts of, Medicare reimbursement. The new presidential administration and Congress have indicated they may further reform the Medicare program and the U.S. healthcare system, but have not made any definitive proposals which allow us to gauge the impact of such potential reforms, if any, on our business and operations. These reforms could significantly reduce payments from Medicare and Medicaid over the next ten years.

Reforms or other changes to these payment systems, including modifications to the conditions on qualification for payment, bundling of payments or the imposition of enrollment limitations on new providers, may change the availability, methods and rates of reimbursements from Medicare, private insurers and other third-party payers for our current and future product candidates, if any, for which we are able to obtain regulatory approval. Some of these changes and proposed changes could result in reduced reimbursement rates for such product candidates, if approved, which would adversely affect our business strategy, operations and financial results.

As a result of legislative proposals and the trend toward managed health care in the United States, third-party payors are increasingly attempting to contain health care costs by limiting both coverage and the level of reimbursement of new drugs. They may also refuse to provide coverage of approved product candidates for medical indications other than those for which the FDA has granted market approvals. As a result, significant uncertainty exists as to whether and how much third-party payors will reimburse patients for their use of newly approved drugs, which in turn will put pressure on the pricing of drugs. We expect to experience pricing pressures in connection with the sale of our product candidates due to the trend toward managed health care, the increasing influence of health maintenance organizations, and additional legislative proposals as well as country, regional or local healthcare budget limitations.

If we fail to develop and commercialize other product candidates, we may be unable to grow our business.

As part of our growth strategy, we plan to evaluate the development and commercialization of other therapies related to immune-mediated, inflammatory, orphan and other diseases. We will evaluate internal opportunities from our compound libraries, and also may choose to in-license or acquire other product candidates as well as commercial products to treat patients suffering from immune-mediated or orphan or other disorders with high unmet medical needs and limited treatment options. These other product candidates will require additional, time-consuming development efforts prior to commercial sale, including preclinical studies, clinical trials and approval by the FDA and/or applicable foreign regulatory authorities. All product candidates are prone to the risks of failure that are inherent in pharmaceutical product development, including the possibility that the product candidate will not be shown to be sufficiently safe and/or effective for approval by regulatory authorities. In addition, we cannot assure you that any such products that are approved will be manufactured or produced economically, successfully commercialized or widely accepted in the marketplace or be more effective than other commercially available alternatives.

Orphan drug designation or Breakthrough Therapy Designation from the FDA may be difficult or not possible to obtain, and if we are unable to obtain one or both such designations for reproxalap or our other product candidates, regulatory and commercial prospects may be negatively impacted.

The FDA designates orphan status to drugs that are intended to treat rare diseases with fewer than 200,000 patients in the United States or that affect more than 200,000 persons but are not expected to recover the costs of developing and marketing a treatment drug. Orphan status drugs do not require prescription drug user fees with a marketing application, may qualify the drug development sponsor for certain tax credits, and can be marketed without generic competition for seven years. In April 2017, we announced that the FDA granted reproxalap orphan drug designation for the treatment of congenital ichthyosis, a severe skin disease characteristic of SLS. We believe that reproxalap and our other product candidates may qualify as an orphan drug for noninfectious anterior uveitis, and possibly other diseases that we may test. However, we cannot guarantee that we will be able to receive orphan drug status for indications other than treatment of ichthyosis or Breakthrough Therapy Designation from the FDA for reproxalap. If we are unable to secure orphan drug status for reproxalap or our other product candidates, our regulatory and commercial prospects may be negatively impacted.

We rely and will continue to rely on outsourcing arrangements for many of our activities, including clinical development and supply of reproxalap and our other product candidates.

As of September 30, 2017, we had only eleven full-time employees and, as a result, we rely, and expect to continue to rely, on outsourcing arrangements for a significant portion of our activities, including clinical research, data collection and analysis, manufacturing, financial reporting and accounting and human resources, as well as for certain functions as a public company. We may have limited control over these third parties and we cannot guarantee that they will perform their obligations in an effective and timely manner.

In addition, during challenging and uncertain economic times and in tight credit markets, there may be a disruption or delay in the performance of our third party contractors, suppliers or partners. If such third parties are unable to satisfy their commitments to us, our business and results of operations would be adversely affected.

We rely on third parties to conduct our clinical trials. If these third parties do not meet our deadlines or otherwise conduct the trials as required, our clinical development programs could be delayed or unsuccessful and we may not be able to obtain regulatory approval for or commercialize our product candidates when expected or at all.

We do not have the ability to conduct all aspects of our preclinical testing or clinical trials ourselves. We are dependent on third parties to conduct the clinical trials for reproxalap and clinical trials for our other future product candidates and, therefore, the timing of the initiation and completion of these trials is controlled by such third parties and may occur on substantially different timing from our estimates. Specifically, we use CROs to conduct our clinical trials and we also rely on medical institutions, clinical investigators and consultants to conduct our trials in accordance with our clinical protocols and regulatory requirements. Our CROs, investigators, and other third parties play a significant role in the conduct of these trials and subsequent collection and analysis of data.

There is no guarantee that any CROs, investigators, or other third parties on which we rely for administration and conduct of our clinical trials will devote adequate time and resources to such trials or perform as contractually required. If any of these third parties fails to meet expected deadlines, fails to adhere to our clinical protocols, or otherwise performs in a substandard manner, our clinical trials may be extended, delayed, or terminated. If any of our clinical trial sites terminates for any reason, we may experience the loss of follow-up information on subjects enrolled in our ongoing clinical trials unless we are able to transfer those subjects to another qualified clinical trial site. In addition, principal investigators for our clinical trials may serve as scientific advisors or consultants to us from time to time and may receive cash or equity compensation in connection with such services. If these relationships and any related compensation result in perceived or actual conflicts of interest, the integrity of the data generated at the applicable clinical trial site may be jeopardized.

We rely completely on third parties to supply drug substance and manufacture drug product for our clinical trials and preclinical studies. We intend to rely on other third parties to produce commercial supplies of product candidates, and our dependence on third parties could adversely impact our business.

We are completely dependent on third-party suppliers of the drug substance and drug product for our product candidates. If these third-party suppliers do not supply sufficient quantities of materials to us on a timely basis and in accordance with applicable specifications and other regulatory requirements, there could be a significant interruption of our supplies, which would adversely affect clinical development of the product candidate. Furthermore, if any of our contract manufacturers cannot successfully manufacture material that conforms to our specifications and within regulatory requirements, we will not be able to secure and/or maintain regulatory approval, if any, for our product candidates.

We will also rely on our contract manufacturers to purchase from third-party suppliers the materials necessary to produce our product candidates for our anticipated clinical trials. We do not have any control over the process or timing of the acquisition of raw materials by our contract manufacturers. Moreover, we currently do not have agreements in place for the commercial production of these raw materials. Any significant delay in the supply of a product candidate or the raw material components thereof for an ongoing clinical trial could considerably delay completion of that clinical trial, product candidate testing, and potential regulatory approval of that product candidate.

We do not expect to have the resources or capacity to commercially manufacture any of our proposed product candidates if approved, and will likely continue to be dependent on third-party manufacturers. Our dependence on third parties to manufacture and supply us with clinical trial materials and any approved product candidates may adversely affect our ability to develop and commercialize our product candidates on a timely basis.

We are subject to a multitude of manufacturing risks, any of which could substantially increase our costs and limit supply of our products.

The process of manufacturing our products is complex, highly regulated and subject to several risks, including:

- The manufacturing of compounds is extremely susceptible to product loss due to contamination, equipment failure, improper installation or operation of equipment, or vendor or operator error. Even minor deviations from normal manufacturing processes could result in reduced production yields, product defects and other supply disruptions. If microbial, viral or other contaminations are discovered in our products or in the manufacturing facilities in which our products are made, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination.
- The manufacturing facilities in which our products are made could be adversely affected by equipment failures, labor shortages, natural disasters, power failures and numerous other factors.
- We and our contract manufacturers must comply with the FDA's cGMP regulations and guidelines. We and our contract manufacturers may encounter difficulties in achieving quality control and quality assurance and may

experience shortages in qualified personnel. We and our contract manufacturers are subject to inspections by the FDA and comparable agencies in other jurisdictions to confirm compliance with applicable regulatory requirements. Any failure to follow cGMP or other regulatory requirements or any delay, interruption or other issues that arise in the manufacture, fill-finish, packaging, or storage of our products as a result of a failure of our facilities or the facilities or operations of third parties to comply with regulatory requirements or pass any regulatory authority inspection could significantly impair our ability to develop and commercialize our products, including leading to significant delays in the availability of products for our clinical studies or the termination or hold on a clinical study, or the delay or prevention of a filing or approval of marketing applications for our product candidates. Significant noncompliance could also result in the imposition of sanctions, including fines, injunctions, civil penalties, failure of regulatory authorities to grant marketing approvals for our product candidates, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of products, operating restrictions and criminal prosecutions, any of which could damage our reputation. If we are not able to maintain regulatory compliance, we may not be permitted to market our products and/or may be subject to product recalls, seizures, injunctions, or criminal prosecution.

Any adverse developments affecting manufacturing operations for our products may result in shipment delays, inventory shortages, lot failures, product withdrawals or recalls, or other interruptions in the supply of our products. We may also have to take inventory write-offs and incur other charges and expenses for products that fail to meet specifications, undertake costly remediation efforts or seek more costly manufacturing alternatives.

We may not be successful in establishing and maintaining development or other strategic partnerships, which could adversely affect our ability to develop and commercialize product candidates.

We may choose to enter into development or other strategic partnerships in the future, including collaborations with major biotechnology or pharmaceutical companies. We face significant competition in seeking appropriate partners and the negotiation process is time consuming and complex. Moreover, we may not be successful in our efforts to establish a development partnership or other alternative arrangements for any of our other existing or future product candidates and programs because our research and development pipeline may be insufficient, our product candidates and programs may be deemed to be at too early a stage of development for collaborative effort and/or third parties may not view our product candidates and programs as having the requisite potential to demonstrate safety and efficacy. Even if we are successful in our efforts to establish development partnerships, the terms that we agree upon may not be favorable to us and we may not be able to maintain such development partnerships if, for example, development or approval of a product candidate is delayed or sales of an approved product candidate are disappointing. Any delay in entering into development partnership agreements related to our product candidates could delay the development and commercialization of our product candidates and reduce their competitiveness if they reach the market.

Moreover, if we fail to maintain development or other strategic partnerships related to our product candidates that we may choose to enter into:

- the development of certain of our current or future product candidates may be terminated or delayed;
- our cash expenditures related to development of certain of our current or future product candidates would increase significantly and we may need to seek additional financing;
- we may be required to hire additional employees or otherwise develop expertise, such as sales and marketing expertise, for which we have not budgeted; and
- we will bear all of the risk related to the development of any such product candidates.

We may form strategic alliances in the future, and we may not realize the benefits of such alliances.

We may form strategic alliances, create joint ventures or collaborations or enter into licensing arrangements with third parties that we believe will complement or augment our existing business, including for the continued development or commercialization of reproxalap or our other product candidates. These relationships or those like them may require us to incur non-recurring and other charges, increase our near- and long-term expenditures, issue securities that dilute our existing stockholders or disrupt our management and business. In addition, we face significant competition in seeking appropriate strategic partners and the negotiation process is time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for reproxalap or our other product candidates because third parties may view the risk of success in our planned clinical trial as too significant or the commercial opportunity for our product candidate as too limited. We cannot be certain that, following a strategic transaction or license, we will achieve the revenues or specific net income that justifies such transaction.

If our competitors develop treatments for the target indications of our product candidates that are approved more quickly than ours, marketed more successfully or demonstrated to be safer or more effective than our product candidates, our commercial opportunity will be reduced or eliminated.

We operate in highly competitive segments of the biotechnology and biopharmaceutical markets. We face competition from many different sources, including commercial pharmaceutical and biotechnology enterprises, academic institutions, government agencies, and private and public research institutions. Our product candidates, if successfully developed and approved, will compete with established therapies as well as with new treatments that may be introduced by our competitors. With the exception of SLS, there are a variety of drug candidates in development for the indications that we intend to test. There are currently two products approved for marketing in the United States for the treatment of dry eye disease, Allergan's Restasis ® (cyclosporine) and Shire's Xiidra ® (lifitegrast). However, numerous drug candidates are in various stages of clinical development for dry eye disease, including Shire's P-321, an investigational epithelial sodium channel inhibitor, and Novartis' ECF843, a recombinant human lubricin protein. Many of our competitors have significantly greater financial, product candidate development, manufacturing, and marketing resources than we do. Large pharmaceutical and biotechnology companies have extensive experience in clinical testing and obtaining regulatory approval for drugs. In addition, universities and private and public research institutes may be active in aldehyde research, and some could be in direct competition with us. We also may compete with these organizations to recruit management, scientists, and clinical development personnel. We will also face competition from these third parties in establishing clinical trial sites, registering subjects for clinical trials, and in identifying and in-licensing new product candidates. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies.

New developments, including the development of other pharmaceutical technologies and methods of treating disease, occur in the pharmaceutical and life sciences industries at a rapid pace. Developments by competitors may render our product candidates obsolete or noncompetitive. There are methods that can potentially be employed to trap aldehydes that we have not conceived of or attempted to patent, and other parties may discover and patent aldehyde trapping approaches and compositions that are similar to or different from ours. Competition in drug development is intense. We anticipate that we will face intense and increasing competition as new treatments enter the market and advanced technologies become available.

Our future success depends on our ability to demonstrate and maintain a competitive advantage with respect to the design, development and commercialization of reproxalap or our other product candidates. Noninfectious anterior uveitis and other inflammatory diseases may be treated with general immune suppressing therapies, including corticosteroids, some of which are generic. Our potential competitors in these diseases may be developing novel immune modulating therapies that may be safer or more effective than reproxalap or our other product candidates.

We have no sales, marketing or distribution capabilities and we will have to invest significant resources to develop these capabilities.

We have no internal sales, marketing or distribution capabilities. If reproxalap or any of our other product candidates ultimately receives regulatory approval, we may not be able to effectively market and distribute the product candidate. We will have to invest significant amounts of financial and management resources to develop internal sales, distribution and marketing capabilities, some of which will be committed prior to any confirmation that reproxalap or any of our other product candidates will be approved. We may not be able to hire consultants or external service providers to assist us in sales, marketing and distribution functions on acceptable financial terms or at all. Even if we determine to perform sales, marketing and distribution functions ourselves, we could face a number of additional related risks, including:

- we may not be able to attract and build an effective marketing department or sales force;
- the cost of establishing a marketing department or sales force may exceed our available financial resources and the revenues generated by reproxalap or any other product candidates that we may develop, in-license or acquire; and
- our direct sales and marketing efforts may not be successful.

We are highly dependent on the services of our employees and certain key consultants.

As a company with a limited number of personnel, we are highly dependent on the development, regulatory, commercial, and financial expertise of our senior management team composed of three individuals and certain other employees: Todd C. Brady, M.D., Ph.D., our President and Chief Executive Officer; Stephen J. Tulipano, our Chief Financial Officer; and David J. Clark, M.D., our Chief Medical Officer. In addition, we rely on the services of a number of key consultants, including IP, pharmacokinetic, chemistry, toxicology, dermatologic drug development and ocular drug development consultants. The loss of such individuals or the services of future members of our management team could delay or prevent the further development and potential commercialization of our product candidates and, if we are not successful in finding suitable replacements, could harm our business.

If we fail to attract and retain senior management and key commercial personnel, we may be unable to successfully develop or commercialize our product candidates.

We will need to expand and effectively manage our managerial, operational, financial, and other resources in order to successfully pursue our clinical development and commercialization efforts. Our success also depends on our continued ability to attract, retain, and motivate highly qualified management and scientific personnel and we may not be able to do so in the future due to intense competition among biotechnology and pharmaceutical companies, universities, and research organizations for qualified personnel. If we are unable to attract and retain the necessary personnel, we may experience significant impediments to our ability to implement our business strategy.

We expect to expand our management team. Our future performance will depend, in part, on our ability to successfully integrate newly hired executive officers into our management team and our ability to develop an effective working relationship among senior management. Our failure to integrate these individuals and create effective working relationships among them and other members of management could result in inefficiencies in the development and commercialization of our product candidates, harming future regulatory approvals, sales of our product candidates and our results of operations.

We may encounter difficulties in managing our growth and expanding our operations successfully.

Because, as of September 30, 2017, we only had eleven full-time employees, we will need to grow our organization to continue development and pursue the potential commercialization of reproxalap and our other product candidates, as well as function as a public company. As we seek to advance reproxalap and other product candidates, we will need to expand our financial, development, regulatory, manufacturing, marketing and sales capabilities or contract with third parties to provide these capabilities for us. As our operations expand, we expect that we will need to manage additional relationships with various strategic partners, suppliers and other third parties. Future growth will impose significant added responsibilities on members of management and require us to retain additional internal capabilities. Our future financial performance and our ability to commercialize our product candidates and to compete effectively will depend, in part, on our ability to manage any future growth effectively. To that end, we must be able to manage our development efforts and clinical trials effectively and hire, train and integrate additional management, clinical and regulatory, financial, administrative and sales and marketing personnel. We may not be able to accomplish these tasks, and our failure to so accomplish could prevent us from successfully growing our company.

Recently enacted and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our product candidates and may affect the prices we may obtain.

In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding healthcare systems that could prevent or delay marketing approval for our product candidates, restrict or regulate post-approval activities and affect our ability to profitably sell our product candidates.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. We are not sure whether additional legislative changes will be enacted, or whether the FDA regulations, guidance or interpretations will be changed, or what the impact of such changes on the marketing approvals of our product candidates, if any, may be. In addition, increased scrutiny by the United States Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject us to more stringent product labeling and post-marketing testing and other requirements.

In the United States, the Medical Modernization Act of 2003, or MMA, changed the way Medicare covers and pays for pharmaceutical products. The legislation expanded Medicare coverage for drug purchases by the elderly and introduced a new reimbursement methodology based on average sales prices for drugs. In addition, this legislation authorized Medicare Part D prescription drug plans to use formulas where they can limit the number of drugs that will be covered in any therapeutic class. As a result of this legislation and the expansion of federal coverage of drug products, we expect that there will be additional pressure to contain and reduce costs. These cost reduction initiatives and other provisions of this legislation could decrease the coverage and price that we receive for any approved products and could seriously harm our business. While the MMA applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates, and any reduction in reimbursement that results from the MMA may result in a similar reduction in payments from private payors.

In early 2010, President Obama signed into law the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (together, PPACA), a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for healthcare and health insurance industries, impose new taxes and fees on the health industry and imposed additional health policy

reforms. Effective October 1, 2010, the PPACA's definition of "average manufacturer price" was revised for reporting purposes, which could increase the amount of Medicaid drug rebates to states. Further, beginning in 2011, the PPACA imposes a significant annual fee on companies that manufacture or import branded prescription drug products. Substantial new provisions affecting compliance have also been enacted, which may require us to modify our business practices with healthcare practitioners. Although it is too early to determine the effect of the PPACA on our business, the new law appears likely to continue the pressure on pharmaceutical pricing, especially under Medicare, and may also increase our regulatory burdens and operating costs.

More recently, the new presidential administration and the U.S. Congress have indicated they may seek to replace PPACA and related legislation with new healthcare legislation. There is uncertainty with respect to the impact these potential changes may have, if any, and any changes will likely take time to unfold, and could have an impact on coverage and reimbursement for healthcare items and services covered by plans that were authorized by PPACA. However, we cannot predict the ultimate content, timing or effect of any healthcare reform legislation or the impact of potential legislation on us.

We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our products once approved or additional pricing pressures, and may adversely affect our operating results.

The continuing efforts of the government, insurance companies, managed care organizations, and other payors of healthcare services to contain or reduce costs of health care may adversely affect:

- the demand for any product candidates for which we may obtain regulatory approval;
- our ability to set a price that we believe is fair for our product candidates;
- our ability to generate revenue and achieve or maintain profitability;
- the level of taxes that we are required to pay; and
- the availability of capital.

If we market products in a manner that violates healthcare fraud and abuse laws, or if we violate government price reporting laws, we may be subject to civil or criminal penalties.

In addition to FDA restrictions on the marketing of pharmaceutical products, several other types of state and federal healthcare fraud and abuse laws have been applied in recent years to restrict certain marketing practices in the pharmaceutical industry. These laws include false claims statutes and anti-kickback statutes. Because of the breadth of these laws and the narrowness of the safe harbors, it is possible that some of our business activities could be subject to challenge under one or more of these laws.

Federal false claims laws prohibit any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government or knowingly making, or causing to be made, a false statement to get a false claim paid. The federal healthcare program anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce, or in return for, purchasing, leasing, ordering or arranging for the purchase, lease or order of any healthcare item or service reimbursable under Medicare, Medicaid or other federally financed healthcare programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers and formula managers on the other. Although there are several statutory exemptions and regulatory safe harbors protecting certain common activities from prosecution, the exemptions and safe harbors are drawn narrowly, and practices that involve remuneration intended to induce prescribing, purchasing or recommending may be subject to scrutiny if they do not qualify for an exemption or safe harbor. Our practices may not in all cases meet all of the criteria for safe harbor protection from anti-kickback liability.

Over the past few years, several pharmaceutical and other healthcare companies have been prosecuted under these laws for a variety of alleged promotional and marketing activities, such as: allegedly providing free trips, free goods, sham consulting fees and grants and other monetary benefits to prescribers; reporting to pricing services inflated average wholesale prices that were then used by federal programs to set reimbursement rates; engaging in off-label promotion that caused claims to be submitted to Medicaid for non-covered, off-label uses; and submitting inflated best price information to the Medicaid Rebate Program to reduce liability for Medicaid rebates. Most states also have statutes or regulations similar to the federal anti-kickback law and false claims laws, which apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor. Sanctions under these federal and state laws may include civil monetary penalties, exclusion of a manufacturer's products from reimbursement under government programs, criminal fines and imprisonment.

Governments may impose price controls, which may adversely affect our future profitability.

We intend to seek approval to market our product candidates in both the United States and in foreign jurisdictions. If we obtain approval in one or more foreign jurisdictions, we will be subject to rules and regulations in those jurisdictions relating to our product candidates. In some foreign countries, particularly in the European Union, the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product candidate. If reimbursement of our future products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, we may be unable to achieve or sustain profitability.

Changes in government funding for the FDA and other government agencies could hinder their ability to hire and retain key leadership and other personnel, properly administer drug innovation, or prevent new products and services from being developed or commercialized by our life science tenants, which could negatively impact our business.

The ability of the FDA to review and approve new products can be affected by a variety of factors, including budget and funding levels, ability to hire and retain key personnel, and statutory, regulatory, and policy changes. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of other government agencies that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable.

The ability of the FDA and other government agencies to properly administer their functions is highly dependent on the levels of government funding and the ability to fill key leadership appointments, among various factors. Currently, the FDA Commissioner position is vacant, pending the appointment of a new Commissioner by the new presidential administration. The confirmation process for a new commissioner may not occur efficiently. Delays in filling or replacing key positions could significantly impact the ability of the FDA and other agencies to fulfill their functions and could greatly impact healthcare and the biologics industry.

In December 2016, the 21 st Century Cures Act was signed into law. This new legislation is designed to advance medical innovation and empower the FDA with the authority to directly hire positions related to drug and device development and review. In the past, the FDA was often unable to offer key leadership candidates (including scientists) competitive compensation packages as compared to those offered by private industry. The 21 st Century Cures Act is designed to streamline the agency's hiring process and enable the FDA to compete for leadership talent by expanding the narrow ranges that are provided in the existing compensation structures.

In the first week of the new presidential administration, it issued executive orders to freeze government hiring of new employees with the exception of military, national security and public safety personnel. This hiring freeze could impede current or future operations at the FDA and other agencies. It is unknown at this time what the impact of the hiring freeze will have on the FDA and on programs such as the 21 st Century Cures Act. Furthermore, future government proposals to reduce or eliminate budgetary deficits may include reduced allocations to the FDA and other related government agencies. These budgetary pressures may result in a reduced ability by the FDA to perform their respective roles; including the related impact to academic institutions and research laboratories whose funding is fully or partially dependent on both the level and timing of funding from government sources.

Disruptions at the FDA and other agencies may also slow the time necessary for new drugs, biologics and devices to be reviewed and/or approved by necessary government agencies and the healthcare and drug industries' ability to deliver new products to the market in a timely manner, which would adversely affect our tenants' operating results and business. Interruptions to the function of the FDA and other government agencies could adversely affect the demand for office/laboratory space and significantly impact our operating results and our business.

If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of reproxalap or our other product candidates.

We face an inherent risk of product liability as a result of the clinical testing of reproxalap and our other product candidates and will face an even greater risk if we commercialize our product candidates. For example, we may be sued if reproxalap or our other product candidates allegedly cause injury or are found to be otherwise unsuitable during product testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product candidate, negligence, strict liability and a breach of warranties. Claims could also be asserted under state consumer protection acts.

If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our product candidates. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for reproxalap or our other product candidates;
- injury to our reputation;
- withdrawal of clinical trial participants;
- costs to defend the related litigation;
- a diversion of management's time and our resources;
- substantial monetary awards to trial participants or patients;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenue;
- the inability to commercialize reproxalap or our other product candidates; and
- a decline in our stock price.

We maintain product liability insurance with $5.0 million in coverage. Our inability to obtain and retain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of reproxalap or our other product candidates. Although we will maintain such insurance, any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. Our insurance policies will also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. We may have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts.

We and our development partners, third-party manufacturers and suppliers use biological materials and may use hazardous materials, and any claims relating to improper handling, storage, or disposal of these materials could be time consuming or costly.

We and our development partners, third-party manufacturers and suppliers may use hazardous materials, including chemicals and biological agents and compounds that could be dangerous to human health and safety or the environment. Our operations and the operations of our development partner, third-party manufacturers and suppliers also produce hazardous waste products. Federal, state, and local laws and regulations govern the use, generation, manufacture, storage, handling, and disposal of these materials and wastes. Compliance with applicable environmental laws and regulations may be expensive and current or future environmental laws and regulations may impair our product development efforts. In addition, we cannot entirely eliminate the risk of accidental injury or contamination from these materials or wastes. We do not carry specific biological or hazardous waste insurance coverage and our property, casualty, and general liability insurance policies specifically exclude coverage for damages and fines arising from biological or hazardous waste exposure or contamination. Accordingly, in the event of contamination or injury we could be held liable for damages or be penalized with fines in an amount exceeding our resources, and our clinical trials or regulatory approvals could be suspended.

We and any of our future development partners will be required to report to regulatory authorities if any of our approved products cause or contribute to adverse medical events, and any failure to do so would result in sanctions that would materially harm our business.

If we and any of our future development partners are successful in commercializing our products, the FDA and foreign regulatory authorities will require that we and any of our future development partners report certain information about adverse medical events if those products may have caused or contributed to those adverse events. The timing of our obligation to report would be triggered by the date we become aware of the adverse event as well as the nature of the event. We and any of our future development partners may fail to report adverse events we become aware of within the prescribed timeframe or to perform inadequate investigations of their causes. We and any of our future development partners may also fail to appreciate that we have become aware of a reportable adverse event, especially if it is not reported to us as an adverse event or if it is an adverse event that is unexpected or removed in time from the use of our products. If we and any of our future development partners fail to comply with our reporting obligations, the FDA or a foreign regulatory authority could take action including criminal prosecution, the imposition of civil monetary penalties, seizure of our products, or delay in approval or clearance of future products.

Our insurance policies are expensive and protect us only from some business risks, which leaves us exposed to significant uninsured liabilities.

We do not carry insurance for all categories of risk that our business may encounter. Some of the policies we currently maintain include general liability, product and clinical trial liability, workers' compensation, and directors' and officers' insurance. We do not know, however, if we will be able to maintain existing insurance with adequate levels of coverage. Any significant, uninsured liability may require us to pay substantial amounts, which would adversely affect our working capital and results of operations.

If we engage in an acquisition, reorganization or business combination, we will incur a variety of risks that could adversely affect our business operations or our stockholders.

From time to time we have considered, and we will continue to consider in the future, strategic business initiatives intended to further the development of our business. These initiatives may include acquiring businesses, technologies or products or entering into a business combination with another company. If we do pursue such a strategy, we could, among other things:

- issue equity securities that would dilute our current stockholders' percentage ownership;
- incur substantial debt that may place strains on our operations;
- spend substantial operational, financial and management resources in integrating new businesses, technologies and products; and
- assume substantial actual or contingent liabilities.

Our internal computer systems, or those of our development partners, third-party clinical research organizations or other contractors or consultants, may fail or suffer security breaches, which could result in a material disruption of our product development programs.

Despite the implementation of security measures, our internal computer systems and those of our current and any future CROs and other contractors, consultants and collaborators are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. While we have not experienced any such material system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Likewise, we rely on third parties to manufacture our product candidates and conduct clinical trials, and similar events relating to their computer systems could also have a material adverse effect on our business. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development and commercialization of our product candidate could be delayed.

Business disruptions could seriously harm our future revenues and financial condition and increase our costs and expenses.

Our operations could be subject to earthquakes, power shortages, telecommunications failures, water shortages, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics and other natural or manmade disasters or business interruptions, for which we are predominantly self-insured. The occurrence of any of these business disruptions could seriously harm our operations and financial condition and increase our costs and expenses. We rely on third-party manufacturers to produce reproxalap and our other product candidates. Our ability to obtain clinical supplies of reproxalap or our other product candidates could be disrupted, if the operations of these suppliers are affected by a man-made or natural disaster or other business interruption.

Our employees may engage in misconduct or other improper activities including noncompliance with regulatory standards and requirements and insider trading.

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with FDA regulations, provide accurate information to regulatory authorities, comply with manufacturing standards we have established, comply with federal and state health care fraud and abuse laws and regulations, report financial information or data accurately, or disclose unauthorized activities to us. In particular, sales, marketing, and business arrangements in the health care industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing, and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs, and other business arrangements. Employee misconduct could also involve improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation.

In addition, during the course of our operations our directors, executives, and employees may have access to material, nonpublic information regarding our business, our results of operations, or potential transactions we are considering. We may not be able to prevent a director, executive, or employee from trading in our common stock on the basis of, or while having access to, material, nonpublic information. If a director, executive, or employee was to be investigated or an action were to be brought against a director, executive, or employee for insider trading, it could have a negative impact on our reputation and our stock price. Such a claim, with or without merit, could also result in substantial expenditures of time and money, and divert attention of our management team from other tasks important to the success of our business.

Risks Relating to Our Intellectual Property

Our success depends on our ability to protect our intellectual property and our proprietary technologies.

Our commercial success depends in part on our ability to obtain and maintain patent protection and trade secret protection for our product candidates, proprietary technologies, and their uses as well as our ability to operate without infringing upon the proprietary rights of others. There can be no assurance that our patent applications or those of our licensors will result in additional patents being issued or that issued patents will afford sufficient protection against competitors with similar technology, nor can there be any assurance that the patents issued will not be infringed, designed around, or invalidated by third parties. Even issued patents may later be found unenforceable or may be modified or revoked in proceedings instituted by third parties before various patent offices or in courts. The degree of future protection for our proprietary rights is uncertain. Only limited protection may be available and may not adequately protect our rights or permit us to gain or keep any competitive advantage. This failure to properly protect the intellectual property rights relating to these product candidates could have a material adverse effect on our financial condition and results of operations.

Composition-of-matter patents on the biological or chemical active pharmaceutical ingredient are generally considered to be the strongest form of intellectual property protection for pharmaceutical products, as such patents provide protection without regard to any method of use. While we have issued composition-of-matter patents in the United States and other countries for reproxalap, we cannot be certain that the claims in our patent applications covering composition-of-matter of our other product candidates will be considered patentable by the United States Patent and Trademark Office (USPTO) and courts in the United States or by the patent offices and courts in foreign countries, nor can we be certain that the claims in our issued composition-of-matter patents will not be found invalid or unenforceable if challenged. Method-of-use patents protect the use of a product for the specified method. This type of patent does not prevent a competitor from making and marketing a product that is identical to our product for an indication that is outside the scope of the patented method. Moreover, even if competitors do not actively promote their product for our targeted indications, physicians may prescribe these products “off-label.” Although off-label prescriptions may infringe or contribute to the infringement of method-of-use patents, the practice is common and such infringement is difficult to prevent or prosecute. In addition, there are possibly methods that can be employed to trap aldehydes that we have not conceived of or attempted to patent, and other parties may discover and patent aldehyde trapping approaches and compositions that are similar to or different from ours.

The patent application process is subject to numerous risks and uncertainties, and there can be no assurance that we or any of our future development partners will be successful in protecting our product candidates by obtaining and defending patents. These risks and uncertainties include the following:

- the USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent process. There are situations in which noncompliance can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case;
- patent applications may not result in any patents being issued;
- patents that may be issued or in-licensed may be challenged, invalidated, modified, revoked, circumvented, found to be unenforceable, or otherwise may not provide any competitive advantage;
- our competitors, many of whom have substantially greater resources than we do and many of whom have made significant investments in competing technologies, may seek or may have already obtained patents that will limit, interfere with, or eliminate our ability to make, use, and sell our potential product candidates;
- there may be significant pressure on the United States government and international governmental bodies to limit the scope of patent protection both inside and outside the United States for disease treatments that prove successful, as a matter of public policy regarding worldwide health concerns; and
- countries other than the United States may have patent laws less favorable to patentees than those upheld by United States courts, allowing foreign competitors a better opportunity to create, develop, and market competing product candidates.

In addition, we rely on the protection of our trade secrets and proprietary know-how. Although we have taken steps to protect our trade secrets and unpatented know-how, including entering into confidentiality agreements with third parties, and confidential information and inventions agreements with employees, consultants, and advisors, third parties may still obtain this information or may come upon this or similar information independently. If any of these events occurs or if we otherwise lose protection for our trade secrets or proprietary know-how, the value of this information may be greatly reduced.

Claims by third parties that we infringe their proprietary rights may result in liability for damages or prevent or delay our developmental and commercialization efforts.

The biotechnology industry has been characterized by frequent litigation regarding patent and other intellectual property rights. Because patent applications are maintained in secrecy until the application is published, we may be unaware of third party patents that may be infringed by commercialization of reproxalap or our other product candidates. In addition, identification of third party patent rights that may be relevant to our technology is difficult because patent searching is imperfect due to differences in terminology among patents, incomplete databases and the difficulty in assessing the meaning of patent claims. Any claims of patent infringement asserted by third parties would be time consuming and could likely:

- result in costly litigation;
- divert the time and attention of our technical personnel and management;
- cause development delays;
- prevent us from commercializing reproxalap or our other product candidates until the asserted patent expires or is held finally invalid or not infringed in a court of law;
- require us to develop non-infringing technology; or
- require us to enter into royalty or licensing agreements.

Although no third party has asserted a claim of patent infringement against us, others may hold proprietary rights that could prevent reproxalap or our other product candidates from being marketed. Any patent-related legal action against us claiming damages and seeking to enjoin commercial activities relating to our product candidate or processes could subject us to potential liability for damages and require us to obtain a license to continue to manufacture or market reproxalap or our other product candidates. We cannot predict whether we would prevail in any such actions or that any license required under any of these patents would be made available on commercially acceptable terms, if at all. In addition, we cannot be sure that we could redesign our product candidate or processes to avoid infringement, if necessary. Accordingly, an adverse determination in a judicial or administrative proceeding, or the failure to obtain necessary licenses, could prevent us from developing and commercializing reproxalap or our other product candidates, which could harm our business, financial condition and operating results.

Any such claims against us could also be deemed to constitute an event of default under our loan and security agreement with Pacific Western Bank. In the case of a continuing event of default under the loan, Pacific Western Bank, could, among other remedies, elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit. Although as of September 30, 2017, we had sufficient cash and cash equivalents to repay all obligations owed to Pacific Western Bank if the debt was accelerated, in the event we do not or are not able to repay the obligations at the time a default occurred, Pacific Western Bank may elect to commence and prosecute bankruptcy and/or other insolvency proceedings, or proceed against the collateral granted to Pacific Western Bank under the loan, which includes our intellectual property.

Our issued patents could be found invalid or unenforceable if challenged in court.

If we or any of our future development partners were to initiate legal proceedings against a third party to enforce a patent covering one of our product candidates, or one of our future product candidates, the defendant could counterclaim that our patent is invalid and/or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement during prosecution. Third parties may also raise similar claims before the USPTO, even outside the context of litigation. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on such product candidate. Such a loss of patent protection would have a material adverse impact on our business.

We may fail to comply with any of our obligations under existing or future agreements pursuant to which we license rights or technology, which could result in the loss of rights or technology that are material to our business.

We are a party to technology licenses and we may enter into additional licenses in the future. Such licenses do, and may in the future, impose various commercial, contingent payment, royalty, insurance, indemnification, and or other obligations on us. If we fail to comply with these obligations, the licensor may have the right to terminate the license, in which event we could lose valuable rights under our collaboration agreements and our ability to develop product candidates could be impaired. Additionally, should such a license agreement be terminated for any reason, there may be a limited number of licensors who would be suitable replacements and it may take a significant amount of time to transition to a replacement licensor.

We may be subject to claims that we have wrongfully hired an employee from a competitor or that we or our employees have wrongfully used or disclosed alleged confidential information or trade secrets of their former employers.

As is common in the biotechnology and pharmaceutical industry, we engage the services of consultants to assist us in the development of our product candidates. Many of these consultants were previously employed at, or may have previously provided or may be currently providing consulting services to, other biotechnology or pharmaceutical companies including our competitors or potential competitors. We may become subject to claims that our company or a consultant inadvertently or otherwise used or disclosed trade secrets or other information proprietary to their former employers or their former or current clients. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to our management team.

If we do not obtain protection under the Hatch-Waxman Amendments by extending the patent terms and obtaining data exclusivity for our product candidate, our business may be materially harmed.

Depending upon the timing, duration and specifics of FDA marketing approval of reproxalap or other product candidates, one or more of our United States patents may be eligible for limited patent term restoration under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, we may not be granted an extension because of, for example, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents or otherwise failing to satisfy applicable requirements. Moreover, the applicable time period or the scope of patent protection afforded could be less than we request. If we are unable to obtain patent term extension or restoration or the term of any such extension is less than we request, our competitors may obtain approval of competing products following our patent expiration, and our revenue could be reduced, possibly materially.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected. Our registered or unregistered trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition among potential partners or customers in our markets of interest. At times, competitors may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. Our efforts to enforce or protect our proprietary rights related to trademarks, trade secrets, domain names, copyrights or other intellectual property may be ineffective and could result in substantial costs and diversion of resources and could adversely impact our financial condition or results of operations.

Changes in United States patent law could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.

As is the case with other biopharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry involve technological and legal complexity. Therefore, obtaining and enforcing biopharmaceutical patents is costly, time consuming, and inherently uncertain. In addition, Congress may pass patent reform legislation. The Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created

uncertainty with respect to the value of patents, once obtained. Depending on decisions by the United States Congress, the federal courts, and the USPTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents we might obtain in the future.

We may not be able to protect our intellectual property rights throughout the world.

While we have issued composition-of-matter patents covering reproxalap in the United States and other countries, filing, prosecuting and defending patents on reproxalap and our other product candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our product candidates and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to biopharmaceuticals, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Risks Related to Our Financial Position and Need for Capital

If we fail to obtain the capital necessary to fund our operations, we will be unable to successfully develop and commercialize reproxalap and our other product candidates.

We will require substantial future capital in order to complete the remaining clinical development for reproxalap and our other product candidates and to potentially commercialize these product candidates. We expect our spending levels to increase in connection with our clinical trials of reproxalap and our other product candidates, as well as other corporate activities. The amount and timing of any expenditure needed to implement our development and commercialization programs will depend on numerous factors, including:

- the type, number, scope, progress, expansion costs, results of and timing of our planned clinical trials of reproxalap or any our other product candidates which we are pursuing or may choose to pursue in the future;
- the need for, and the progress, costs and results of, any additional clinical trials of reproxalap and our other product candidates we may initiate based on the results of our planned clinical trials or discussions with the FDA, including any additional trials the FDA or other regulatory agencies may require evaluating the safety of reproxalap and our other product candidates;
- the costs of obtaining, maintaining and enforcing our patents and other intellectual property rights;
- the costs and timing of obtaining or maintaining manufacturing for reproxalap and our other product candidates, including commercial manufacturing if any product candidate is approved;
- the costs and timing of establishing sales and marketing capabilities and enhanced internal controls over financial reporting;
- the terms and timing of establishing collaborations, license agreements and other partnerships on terms favorable to us;
- costs associated with any other product candidates that we may develop, in-license or acquire;
- the effect of competing technological and market developments;
- our ability to establish and maintain partnering arrangements for development; and
- the costs associated with being a public company.

Some of these factors are outside of our control. We do not expect our existing capital resources to be sufficient to enable us to fund the completion of our clinical trials and remaining development program through commercial introduction. We expect that we will need to raise additional funds in the near future.

We have not sold any products, and we do not expect to sell or derive revenue from any product sales for the foreseeable future. We may seek additional funding through collaboration agreements and public or private financings, including debt financings. The global economic downturn and market instability has made the business climate more volatile and more costly. Uncertain economic conditions, and uncertainty as to the general direction of the macroeconomic environment, are beyond our control and may make any necessary debt or equity financing more difficult, more costly, and more dilutive. Additional funding may not be available to us on acceptable terms or at all. In addition, the terms of any financing may adversely affect the holdings or the rights of our stockholders or be excessively dilutive. In addition, the issuance of additional shares by us, or the possibility of such issuance, may cause the market price of our shares to decline.

If we are unable to obtain funding on a timely basis, we will be unable to complete the planned clinical trials for reproxalap and our other product candidates and we may be required to significantly curtail some or all of our activities. We also could be required to seek funds through arrangements with collaborative partners or otherwise that may require us to relinquish rights to our product candidates or some of our technologies or otherwise agree to terms unfavorable to us.

The terms of our secured debt facility require us to meet certain operating and financial covenants and place restrictions on our operating and financial flexibility. If we raise additional capital through debt financing, the terms of any new debt could further restrict our ability to operate our business.

We have a $5.0 million Credit Facility with Pacific Western that is secured by a lien covering all of our assets as of September 30, 2017. As of September 30, 2017 and December 31, 2016, the outstanding principal balance under the Credit Facility was approximately $1.4 million. The loan agreement contains customary affirmative and negative covenants and events of default. Affirmative covenants include, among others, covenants requiring us to maintain our legal existence and governmental approvals, deliver certain financial reports and maintain insurance coverage. Negative covenants include, among others, restrictions on transferring any part of our business or property, changing our business, including changing the composition of our executive team or board of directors, incurring additional indebtedness, engaging in mergers or acquisitions, paying dividends or making other distributions, making investments and creating other liens on our assets and other financial covenants, in each case subject to customary exceptions. If we default under the terms of the loan agreement, including failure to satisfy our operating covenants, the lender may accelerate all of our repayment obligations and take control of our pledged assets, potentially requiring us to renegotiate our agreement on terms less favorable to us or to immediately cease operations. Further, if we are liquidated, the lender's right to repayment would be senior to the rights of the holders of our common stock. The lender could declare a default upon the occurrence of any event that they interpret as a material adverse effect as defined under the loan agreement. Any declaration by the lender of an event of default could significantly harm our business and prospects and could cause the price of our common stock to decline. If we raise any additional debt financing, the terms of such additional debt could further restrict our operating and financial flexibility.

Our ability to use net operating loss carryforwards and tax credit carryforwards to offset future taxable income may be limited as a result of transactions involving our common stock.

In general, under Section 382 of the Internal Revenue Code of 1986, as amended (Code), a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change net operating losses (NOLs) and certain other tax assets (tax attributes) to offset future taxable income. In general, an ownership change occurs if the aggregate stock ownership of certain stockholders increases by more than 50 percentage points over such stockholders' lowest percentage ownership during the testing period (generally three years). Transactions involving our common stock, even those outside our control, such as purchases or sales by investors, within the testing period could result in an ownership change. A limitation on our ability to utilize some or all of our NOLs or credits could have a material adverse effect on our results of operations and cash flows. Prior to 2016, Aldeyra has undergone two ownership changes and it is possible that additional ownership changes have occurred since. However, our management believes that we had sufficient "Built-In-Gain" to offset the Section 382 of the Code limitation generated by such ownership changes. Any future ownership changes, including those resulting from our recent or future financing activities, may cause our existing tax attributes to have additional limitations.

Risks Related to Our Common Stock

An active trading market for our common stock may not develop or be sustained and investors may not be able to resell their shares at or above the price at which they purchased them.

We have a limited history as a public company. An active trading market for our shares may never develop or be sustained. In the absence of an active trading market for our common stock, investors may not be able to sell their common stock at or above the price they paid or at the time that they would like to sell. In addition, an inactive market may impair our ability to raise capital by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration, which, in turn, could harm our business.

The trading price of the shares of our common stock has been and is likely to continue to be highly volatile, and purchasers of our common stock could incur substantial losses.

Our stock price has been and will likely continue to be volatile for the foreseeable future. The stock market in general and the market for biotechnology companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, investors may not be able to sell their common stock at or above the price they paid. The market price for our common stock may be influenced by many factors, including:

- our ability to enroll patients in our planned clinical trials;
- results of the clinical trials, and the results of trials of our competitors or those of other companies in our market sector;
- regulatory developments in the United States and foreign countries;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in the structure of healthcare payment systems, especially in light of current reforms to the United States healthcare system;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- market conditions in the pharmaceutical and biotechnology sectors and issuance of securities analysts' reports or recommendations;
- sales of our stock by insiders and 5% stockholders;
- trading volume of our common stock;
- general economic, industry and market conditions other events or factors, many of which are beyond our control;
- additions or departures of key personnel; and
- intellectual property, product liability or other litigation against us.

In addition, in the past, stockholders have initiated class action lawsuits against biotechnology and pharmaceutical companies following periods of volatility in the market prices of these companies' stock. Such litigation, if instituted against us, could cause us to incur substantial costs and divert management's attention and resources, which could have a material adverse effect on our business, financial condition and results of operations.

Our quarterly operating results may fluctuate significantly.

We expect our operating results to be subject to quarterly fluctuations. Our net loss and other operating results will be affected by numerous factors, including:

- variations in the level of expenses related to our clinical trial and development programs;
- addition or termination of clinical trials;
- any intellectual property infringement lawsuit in which we may become involved;
- regulatory developments affecting reproxalap and our other product candidates;
- our execution of any collaborative, licensing or similar arrangements, and the timing of payments we may make or receive under these arrangements;

- nature and terms of stock-based compensation grants; and
- derivative instruments recorded at fair value.

If our quarterly operating results fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Furthermore, any quarterly fluctuations in our operating results may, in turn, cause the price of our stock to fluctuate substantially. We believe that quarterly comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of our future performance.

Our failure to meet the continued listing requirements of The Nasdaq Capital Market could result in a delisting of our common stock.

If we fail to satisfy the continued listing requirements of The Nasdaq Capital Market, such as the corporate governance requirements or the minimum closing bid price requirement, Nasdaq may take steps to de-list our common stock. Such a delisting would likely have a negative effect on the price of our common stock and would impair your ability to sell or purchase our common stock when you wish to do so. In the event of a delisting, we would expect to take actions to restore our compliance with Nasdaq's listing requirements, but we can provide no assurance that any such action taken by us would allow our common stock to become listed again, stabilize the market price or improve the liquidity of our common stock, prevent our common stock from dropping below the Nasdaq minimum bid price requirement or prevent future non-compliance with Nasdaq's listing requirements.

If our shares become subject to the penny stock rules, it would become more difficult to trade our shares.

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than $5.00, other than securities registered on certain national securities exchanges or authorized for quotation on certain automated quotation systems, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. If we do not retain a listing on The Nasdaq Capital Market and if the price of our common stock is less than $5.00, our common stock will be deemed a penny stock. The penny stock rules require a broker-dealer, before a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document containing specified information. In addition, the penny stock rules require that before effecting any transaction in a penny stock not otherwise exempt from those rules, a broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive (i) the purchaser's written acknowledgment of the receipt of a risk disclosure statement; (ii) a written agreement to transactions involving penny stocks; and (iii) a signed and dated copy of a written suitability statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our common stock, and therefore stockholders may have difficulty selling their shares.

We may allocate our cash and cash equivalents in ways that you and other stockholders may not approve.

Our management has broad discretion in the application of our cash and cash equivalents. Because of the number and variability of factors that will determine our use of our cash and cash equivalents, their ultimate use may vary substantially from their currently intended use. Our management might not apply our cash and cash equivalents in ways that ultimately increase the value of your investment. We expect to use of our cash and cash equivalents to fund our planned clinical trials of reproxalap and our other product candidates, development of other molecules that may relate to our aldehyde trapping platform, and the remainder for working capital and other general corporate purposes. The failure by our management to apply these funds effectively could harm our business. Pending their use, we may invest our cash and cash equivalents in short-term, investment-grade, interest-bearing securities. These investments may not yield a favorable return to our stockholders. If we do not invest or apply our cash and cash equivalents in ways that enhance stockholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.

Because a small number of our existing stockholders own a majority of our voting stock, your ability to influence corporate matters will be limited.

As of September 30, 2017, our executive officers, directors and greater than 5% stockholders, in the aggregate, own approximately 46.0% of our outstanding common stock. As a result, such persons, acting together, will have the ability to control our management and business affairs and substantially all matters submitted to our stockholders for approval, including the election and removal of directors and approval of any significant transaction. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, impeding a merger, consolidation, takeover or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of our business, even if such a transaction would benefit other stockholders.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may delay or prevent an acquisition of us or a change in our management. These provisions include:

- authorizing the issuance of "blank check" preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval;
- limiting the removal of directors by the stockholders;
- creating a staggered board of directors;
- prohibiting stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders;
- eliminating the ability of stockholders to call a special meeting of stockholders;
- permitting our board of directors to accelerate the vesting of outstanding option grants upon certain transactions that result in a change of control; and
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders owning in excess of 15% of our outstanding voting stock to merge or combine with us. Although we believe these provisions collectively provide for an opportunity to obtain greater value for stockholders by requiring potential acquirors to negotiate with our board of directors, they would apply even if an offer rejected by our board were considered beneficial by some stockholders. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management.

We do not intend to pay dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never declared or paid any cash dividend on our common stock and do not currently intend to do so for the foreseeable future. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. In addition, our loan and security agreement with Pacific Western currently prohibits us from paying dividends on our equity securities, and any future debt financing arrangement may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our common stock. Any return to stockholders will therefore be limited to the appreciation of their stock. Therefore, the success of an investment in shares of our common stock will depend upon any future appreciation in their value. There is no guarantee that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

A substantial number of shares of our common stock could be sold into the public market in the near future, which could depress our stock price.

Sales of substantial amounts of our common stock in the public market could reduce the prevailing market prices for our common stock. Substantially all of our outstanding common stock are eligible for sale as are common stock issuable under vested and exercisable stock options. If our existing stockholders sell a large number of shares of our common stock, or the public market perceives that existing stockholders might sell shares of common stock, the market price of our common stock could decline significantly. These sales might also make it more difficult for us to sell equity securities at a time and price that we deem appropriate.

We are an emerging growth company, and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from

the requirements of holding nonbinding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an emerging growth company until December 31, 2019, although circumstances could cause us to lose that status earlier, including if we become a large accelerated filer, if we have total annual gross revenue of $1.07 billion or more during any fiscal year before that time, in which cases we would no longer be an emerging growth company as of the following December 31 or, if we issue more than $1.0 billion in non-convertible debt during any three year period before that time, we would cease to be an emerging growth company immediately. Even after we no longer qualify as an emerging growth company, we may still qualify as a "smaller reporting company" which would allow us to take advantage of many of the same exemptions from disclosure requirements including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

We are incurring significant increased costs and demands upon management as a result of operating as a public company.

As a public company, we are incurring significant legal, accounting and other expenses that we did not incur as a private company. We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which require, among other things, that we file with the Securities and Exchange Commission, or the SEC, annual, quarterly and current reports with respect to our business and financial condition. In addition, the Sarbanes-Oxley Act, as well as rules subsequently adopted by the SEC, and The Nasdaq Capital Market to implement provisions of the Sarbanes-Oxley Act, impose significant requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Further, in 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, was enacted. There are significant corporate governance and executive compensation related provisions in the Dodd-Frank Act that require the SEC to adopt additional rules and regulations in these areas such as "say on pay" and proxy access. Recent legislation permits smaller "emerging growth companies" to implement many of these requirements over a longer period and up to five years from our Initial Public Offering. We intend to continue to take advantage of this new legislation but cannot guarantee that we will not be required to implement these requirements sooner than budgeted or planned and thereby incur unexpected expenses. Stockholder activism, the current political environment and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact the manner in which we operate our business in ways we cannot currently anticipate.

We expect the rules and regulations applicable to public companies to continue to substantially increase our legal and financial compliance costs and to make some activities more time-consuming and costly. If these requirements divert the attention of our management and personnel from other business concerns, they could have a material adverse effect on our business, financial condition and results of operations. The increased costs will decrease our net income or increase our net loss, and may require us to reduce costs in other areas of our business or increase the prices of our products or services. For example, these rules and regulations make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to incur substantial costs to maintain the same or similar coverage. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

If we fail to maintain proper and effective internal control over financial reporting in the future, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, investors' views of us and, as a result, the value of our common stock.

Pursuant to Section 404 of the Sarbanes-Oxley Act, our management is required to report upon the effectiveness of our internal control over financial reporting. When and if we are a "large accelerated filer" or an "accelerated filer" and are no longer an "emerging growth company," each as defined in the Exchange Act, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting. However, for so long as we remain an emerging growth company, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404. Once we are no longer an emerging growth company or, if prior to such date, we opt to no longer take advantage of the applicable exemption, we will be required to include an opinion from our independent registered public accounting firm on the effectiveness of our internal controls over financial reporting. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing, and possible remediation. To comply with the requirements of being a reporting company under the Exchange Act, we need to upgrade our systems including information technology; implement additional financial and management controls, reporting systems, and procedures; and hire additional accounting and finance staff.

Historically, we have not had sufficient accounting and supervisory personnel with the appropriate level of technical accounting experience and training necessary or adequate formally documented accounting policies and procedures to support, effective internal controls. As we grow, we will hire additional personnel and engage in external temporary resources and may implement, document and modify policies and procedures to maintain effective internal controls. However, we may identify deficiencies and weaknesses or fail to remediate previously identified deficiencies in our internal controls. If material weaknesses or deficiencies in our internal controls exist and go undetected or unremediated, our financial statements could contain material misstatements that, when discovered in the future, could cause us to fail to meet our future reporting obligations and cause the price of our common stock to decline.

If securities or industry analysts do not publish research or reports or publish unfavorable research or reports about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us, our business, our market or our competitors. We currently have limited research coverage by securities and industry analysts. If other securities or industry analysts do not commence coverage of our company, the trading price for our stock could be negatively impacted. If one or more of the analysts who covers us downgrades our stock, our stock price would likely decline. If one or more of these analysts ceases to cover us or fails to regularly publish reports on us, interest in our stock could decrease, which could cause our stock price or trading volume to decline.

We could be subject to securities class action litigation.

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because pharmaceutical companies have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business.

Our business could be negatively affected as a result of the actions of activist stockholders.

Proxy contests have been waged against many companies in the biopharmaceutical industry, over the last few years. We may be particularly vulnerable to these actions due to the highly concentrated ownership of our common stock. If faced with a proxy contest or other type of shareholder activism, we may not be able to respond successfully to the contest or dispute, which would be disruptive to our business. Even if we are successful, our business could be adversely affected by a proxy contest or shareholder dispute involving us or our partners because:

- responding to proxy contests and other actions by activist stockholders can be costly and time-consuming, disrupting operations and diverting the attention of management and employees;
- perceived uncertainties as to future direction may result in the loss of potential acquisitions, collaborations or in-licensing opportunities, and may make it more difficult to attract and retain qualified personnel and business partners; and
- if individuals are elected to a board of directors with a specific agenda, it may adversely affect our ability to effectively and timely implement our strategic plan and create additional value for our stockholders.

These actions could cause our stock price to experience periods of volatility.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Registrant (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K as filed on May 7, 2014, and incorporated herein by reference).
3.2	Amended and Restated Bylaws of the Registrant (filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K as filed on May 7, 2014, and incorporated herein by reference).
10.26	Controlled Equity Offering SM Sales Agreement by and between Cantor Fitzgerald & Co. and the Registrant (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed on June 2, 2017 and incorporated herein by reference).
10.27	Lease Agreement by and between WLC Three VI, L.L.C. and the Registrant, dated as of September 11, 2017.
31.1	Certification of the Principal Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial and Accounting Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from this quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2017 formatted in XBRL (eXtensible Business Reporting Language) and filed electronically herewith: (i) Balance Sheets as of September 30, 2017 and December 31, 2016; (ii) Statements of Operations and Comprehensive Income (Loss) for the three and nine months ended September 30, 2017 and 2016; (iii) Statements of Cash Flows for the nine months ended September 30, 2017 and 2016; and (iv) Notes to Financial Statements.

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

SIGNATURES

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

Aldeyra Therapeutics, Inc.

November 9, 2017 /s/ Todd C. Brady, M.D., Ph.D.

Todd C. Brady, M.D., Ph.D.
Chief Executive Officer
(Principal Executive Officer)

Aldeyra Therapeutics, Inc.

November 9, 2017 /s/ Stephen J. Tulipano

Stephen J. Tulipano
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 10.27

LEASE AGREEMENT

by and between

WLC THREE VI, L.L.C.,

a Delaware limited liability company

as Landlord

and

ALDEYRA THERAPEUTICS, INC.,

a Delaware corporation

as Tenant

With respect to the property known as

131 Hartwell Avenue,

Lexington, Massachusetts

Dated as of

September 11, 2017

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LEASE AGREEMENT

This Lease Agreement (this **"Lease"**) is made and entered into as of this day of September, 2017 (the **"Execution Date"**), by and between **WLC THREE VI, L.L.C.,** a Delaware limited liability company **("Landlord")** and **ALDEYRA THERAPEUTICS, INC.,** a Delaware corporation **("Tenant").**

WITNESSETH:

1. DEFINITIONS .

The following are definitions of some of the defined terms used in this Lease. The definitions of other defined terms are found throughout this Lease.

" Additional Rent " shall mean (A) Tenant's Pro Rata Share (as hereinafter defined) of the amount by which Operating Expenses (as hereinafter defined) for the applicable calendar year exceed Operating Expenses for the Base Year, (B) Tenant's Pro Rata Share of the amount by which Taxes (as hereinafter defined) for the applicable Tax Fiscal Year exceed Taxes for the Base Year, and (C) all such other sums of money (exclusive of Base Rent) that are required to be paid by Tenant to Landlord hereunder.

"Base Rent" shall mean the amounts set forth in the schedule below, which shall be paid pursuant to Section 3 of this Lease.

Period	Annual Base Rent (Based on 12 months)	Monthly Base Rent	Per RSF
October 1, 2017 – November 30, 2017	$ 87,796.00*	$ 7,316.33*	$23.50*
December 1, 2017 – January 31, 2019	$162,714.00^	$13,559.50^	$23.50^
February 1, 2019 – January 31, 2020	$169,638.00	$14,136.50	$24.50
February 1, 2020 – December 31, 2020	$176,562.00	$14,713.50	$25.50

* Notwithstanding the foregoing Base Rent schedule or any contrary provision of this Lease, but subject to the terms of Section 3.5, Tenant shall not be obligated to pay any Base Rent otherwise attributable to the Phase I Premises during the period commencing as of the Phase I Commencement Date and ending on the date immediately preceding the Phase I Rent Commencement Date.

^ Notwithstanding the foregoing Base Rent schedule or any contrary provision of this Lease, but subject to the terms of Section 3.5, Tenant shall not be obligated to pay any Base Rent otherwise attributable to the Phase II Premises during the period commencing as of the Phase II Commencement Date and ending on the date immediately preceding the Phase II Rent Commencement Date.

"Base Year" shall mean calendar year 2018 with respect to Operating Expenses and Tax Fiscal Year 2018 (i.e., July 1, 2017 through June 30, 2018) with respect to Taxes.

"Broker(s)" shall mean CB Richard Ellis-N.E. Partners, Limited Partnership (representing Landlord exclusively) and Cushman & Wakefield (representing Tenant exclusively).

"Building" shall mean the building known and numbered as 131 Hartwell Avenue, Lexington, Massachusetts.

"Building Standard" shall mean work performed in the manner and with the materials reasonably selected by Landlord as the standard for the Building and consistent with comparable buildings subject to availability and Landlord's right to select comparable alternative types, models, brands, grades, designs, manufacturers and suppliers from time to time as the Building Standard.

"Business Days" shall mean those days of the week which are not a Saturday, Sunday, or federal, state or local holiday in which the banks in Lexington, Massachusetts are not open for business.

" Phase I Commencement Date " shall mean October 1, 2017.

" Phase II Commencement Date " shall mean December 1, 2017.

"Common Areas" shall mean those areas of the Property and the Building designated by Landlord, from time to time, for the common use or benefit of tenants generally and/or the public including, without limitation, parking areas, walkways, hallways and lobbies necessary for ingress to and egress from the Premises (as hereinafter defined).

"Default Rate" shall mean the lower of (A) fifteen percent (15%) per annum and (B) the highest rate of interest from time to time permitted under applicable federal and state law.

"Lease Term" shall mean a period (i) commencing on the Phase I Commencement Date with respect to the Phase I Premises and on the Phase II Commencement Date with respect to the Phase II Premises and, (ii) unless sooner terminated as provided herein, ending with respect to the entire Premises (i.e., the Phase I Premises and the Phase II Premises, collectively) on December 31, 2020, subject to extension pursuant to Article 40 hereof.

"Legal Requirements" shall mean all applicable laws, statutes, codes, ordinances, orders, rules, regulations, certificates of occupancy, conditional use or other permits, variances, covenants and restrictions of record, the requirements of Landlord's insurance carrier or any fire insurance underwriters, rating bureaus or government agencies, and the requirements of all federal, state, county, municipal and other government authorities, including the requirements of the Americans with Disabilities Act **("ADA"),** now in effect or which may hereafter come into effect during the Lease Term.

"Operating Expenses" are defined in Exhibit C (Provisions Regarding Additional Rent) attached hereto.

"Operating Hours" shall mean 8:00 a.m. to 6:00 p.m. Monday through Friday, except during holidays.

"Permitted Use" shall mean general office use and uses customarily incidental thereto and no other use or purpose.

"Premises" shall mean a portion of the third (3 rd) floor of the Building measuring an agreed upon 6,924 rentable square feet, and shown on Exhibit A (Plan of Premises) to this Lease (the **"Premises Floor Plan"),** comprised of (i) 3,736 rentable square feet on the third (3 rd) floor of the Building, as shown as "Utility Marketing" on the Premises Floor Plan (the **"Phase I Premises"),** and (ii) 3,188 rentable square feet on the third (3 rd) floor of the Building, as shown as "Patch Media" on the Premises Floor Plan (the **"Phase II Premises").** If the Premises include one or more floors in their entirety, all corridors and restroom facilities located on such full floor(s) shall be considered part of the Premises.

"Property" shall mean the property known as **" Lexington Crossing"** and comprised of the buildings known and numbered as (A) 83 Hartwell Avenue, Lexington, Massachusetts, (B) 81 Hartwell Avenue, Lexington, Massachusetts, (C) 131 Hartwell Avenue, Lexington, Massachusetts, (D) 70 Westview Street, Lexington, Massachusetts, and (E) 20 Maguire Road, Lexington, Massachusetts, together with the parcel(s) of land on which they are located, and any other improvements serving the same.

"Phase I Rent Commencement Date" shall mean November 1, 2017.

"Phase II Rent Commencement Date" shall mean January 1, 2018.

"Rentable Area of the Premises" shall mean 6,924 rentable square feet, as reasonably adjusted from time to time due to a change in the physical size of the Premises.

"Rentable Area of the Phase I Premises" shall mean 3,736 rentable square feet, as reasonably adjusted from time to time due to a change in the physical size of the Premises.

"Rentable Area of the Phase II Premises" shall mean 3,188 rentable square feet, as reasonably adjusted from time to time due to a change in the physical size of the Premises.

"Rentable Area of the Building" shall mean 78,717 rentable square feet, as reasonably adjusted from time to time due to a change in the physical size of the Building.

"Tax Fiscal Year" shall mean the twelve (12) month fiscal year for the Town of Lexington, Massachusetts, which currently commences on July 1 of each calendar year and ends on June 30 of each subsequent calendar year.

"Taxes" are defined in Exhibit C (Provisions Regarding Additional Rent) attached hereto.

"Tenant's Pro Rata Share" shall mean 8.80%, which is a fraction, the numerator of which shall mean the Rentable Area of the Premises and the denominator of which shall mean the Rentable Area of the Building, as reasonably adjusted from time to time due to a change in the physical size of the Premises or the Building.

2. LEASE GRANT/POSSESSION . Except as modified by Landlord's Work, Landlord leases to Tenant and Tenant leases from Landlord the Premises on an "as is," "where-is," and "with all faults" basis, together with the right, in common with others, to use the Common Areas. By taking possession of the Premises, Tenant is deemed to have accepted the Premises and agreed that the Premises are in good order and satisfactory condition, with no representations or warranties of any kind or nature, expressed or implied, except as expressly set forth herein, by Landlord as to the condition of the Premises, the Building, the Property, or the suitability thereof for Tenant's use. Subject to the terms, covenants and conditions of this Lease, Tenant shall have access to the Premises and the Common Areas 24 hours per day, 7 days per week, during the Lease Term, except in the case of emergencies beyond Landlord's control.

3. RENT .

3.1 Tenant covenants to pay to Landlord during the Lease Term, without any setoff or deduction except as otherwise specifically provided in this Lease, the full amount of all Base Rent and Additional Rent due hereunder and the full amount of all such other sums of money as shall become due under this Lease, all of which hereinafter may be collectively called **"Rent."** Notwithstanding the foregoing, the first monthly installment of Base Rent shall be paid to Landlord upon execution and delivery of this Lease by Tenant. In addition, Tenant shall pay, as Additional Rent, all rent, sales and use taxes or other similar taxes, if any, levied or imposed by any city, county, state or other governmental body having authority upon the Base Rent or Additional Rent hereunder, such payments to be in addition to all other payments required to be paid by Tenant to Landlord under this Lease. Such payments shall be paid concurrently with payments of Taxes. Base Rent and Additional Rent for each calendar year or portion thereof during the Lease Term, shall be due and payable in advance in monthly installments on the first day of each calendar month during the Lease Term, without demand. If the Lease Term commences on a day other than the first day of a month or terminates on a day other than the last day of a month, then the installments of Base Rent and Additional Rent for such month or months shall be prorated, based on the number of days in such month. All amounts received by Landlord from Tenant hereunder shall be applied first to the earliest accrued and unpaid Rent then outstanding. Tenant's covenant to pay Rent shall be independent of every other covenant set forth in this Lease.

3.2 To the extent allowed by law, if Tenant fails to pay any Base Rent, Additional Rent, or other item of Rent when due and payable hereunder, such item (A) shall bear interest at the Default Rate from the date due until the date paid and (B) shall bear a **"Late Charge"** equal to five percent (5%) of the unpaid amount, both (A) and (B) of which shall be due and payable to Landlord immediately upon demand. Notwithstanding the foregoing, Landlord agrees to waive the foregoing interest assessment and Late Charge once per calendar year so long as Tenant cures such nonpayment within five (5) days following the date when such payment was due.

3.3 Additional Rent payable hereunder shall be adjusted from time to time in accordance with the provisions of Exhibit C (Provisions Regarding Additional Rent) attached hereto.

3.4 Tenant's obligation so to pay Rent under this Lease shall be absolute, unconditional, and independent and shall not be discharged or otherwise affected by any law or regulation now or hereafter applicable to the Premises, or any other restriction on Tenant's use, or, except as otherwise specifically provided in this Lease, any casualty or taking, or any failure by Landlord to perform or other occurrence; and Tenant waives all rights now or hereafter existing to quit or surrender this Lease or the Premises or any part thereof, other than on account of a constructive eviction.

3.5 Provided that Tenant is not then in an Event of Default (as hereinafter defined) under this Lease, then, during the first month of the Lease Term (the **"Rent Abatement Period"),** Tenant shall not be obligated to pay any Base Rent otherwise attributable to the Premises during such Rent Abatement Period (the **"Rent Abatement").** Landlord and Tenant acknowledge and agree that the amount of the Rent Abatement equals $13,559.50. Tenant acknowledges and agrees that the foregoing Rent Abatement has been granted to Tenant as additional consideration for entering into this Lease, and for agreeing to pay the rental and performing the terms and conditions otherwise required under this Lease. If, prior to the expiration of the Rent Abatement Period, Tenant shall be in an Event of Default under this Lease, beyond any applicable notice and cure period, or if this Lease is terminated for any reason other than Landlord's breach of this Lease, fire or other casualty (pursuant to Section 18), or eminent domain (pursuant to Section 19), then the dollar amount of the unapplied portion of the Rent Abatement as of the date of such default or termination, as the case may be, shall be converted to a credit to be applied to the Base Rent applicable at the end of the Lease Term and Tenant shall immediately be obligated to begin paying Base Rent for the Premises in full. Notwithstanding anything to the contrary contained herein, at any time prior to or during the Rent Abatement Period, Landlord shall have the option to purchase, by check or wire transfer of available funds, all or any part of the remaining Rent Abatement by providing Tenant with written notice thereof ("Landlord's Rent Abatement Purchase Notice"). Landlord's Rent Abatement Purchase Notice shall set forth the total portion of the remaining Rent Abatement that Landlord elects to purchase (the **"Purchase Amount").** The Purchase Amount shall be paid by Landlord to Tenant simultaneously with the giving of Landlord's Rent Abatement Purchase Notice. Upon Landlord's tender of the Purchase Amount, the Rent Abatement shall be reduced by the number of months of Rent Abatement so purchased by Landlord. Upon request by Landlord, Landlord and Tenant shall enter into an amendment to this Lease to reflect the Purchase Amount paid by Landlord and the corresponding reduction of the Rent Abatement.

4. SECURITY DEPOSIT . Simultaneously with the execution and delivery of this Lease, Tenant shall deliver to Landlord the sum of $40,678.50 (the **"Security Deposit").** During the Lease Term, including any extensions thereof, and for sixty (60) days after the expiration of the Lease Term, or for so long thereafter as Tenant is in possession of the Premises (or any portion thereof) or has unsatisfied obligations hereunder to Landlord, the Security Deposit shall be held by Landlord without liability for interest and as security for the full and timely performance by Tenant of Tenant's covenants and obligations under this Lease, it being expressly understood that the Security Deposit shall not be considered an advance payment of Rent or a measure of Tenant's liability for damages in case of any failure by Tenant to perform any of Tenant's covenants or obligations hereunder. Landlord shall not be required to keep the Security Deposit separate from its other accounts, and shall have no fiduciary responsibilities or trust obligations whatsoever with regard to the Security Deposit. Tenant shall have no right to require Landlord to so draw and apply the Security Deposit, nor shall Tenant be entitled to credit the same against Rent or other sums payable hereunder. Landlord may, from time to time, without prejudice to any other remedy, use

the Security Deposit to the extent necessary to cure or attempt to cure, in whole or in part, any Event of Default by Tenant, without waiving any rights or remedies as a result of such failure. Following any such application of the Security Deposit, Tenant shall pay to Landlord within seven (7) days after demand the amount so applied in order to restore the Security Deposit to its original amount, and failure to so restore within such time period shall be an Event of Default (as hereinafter defined) hereunder giving rise to all of Landlord's rights and remedies applicable to an Event of Default in the payment of Rent. If Tenant does not have any unsatisfied obligations hereunder at the termination of this Lease (or thereafter if Tenant is in possession of the Premises (or any portion thereof)), the balance of the Security Deposit remaining after any such application shall be returned by Landlord to Tenant within sixty (60) days thereafter. If Landlord transfers its interest in the Premises during the Lease Term, Landlord shall assign the Security Deposit to the transferee and thereafter shall have no further liability for the return of such Security Deposit. Notwithstanding anything to the contrary contained herein, provided and on condition that Tenant is not then in default under the terms of this Lease, Landlord shall, within thirty (30) days after the written request of Tenant delivered after January 1, 2019, return a $13,559.50 portion of the Security Deposit so that the remainder of such Security Deposit shall be $27,119.00.

5. USE . The Premises shall be used for the Permitted Use and for no other use or purpose. Tenant agrees not to use or permit the use of the Premises for any purpose which is illegal or dangerous, which creates a nuisance, or which increases the cost of insurance coverage with respect to the Building (Landlord acknowledging that the Permitted Use does not violate the foregoing). Tenant will conduct its business and control its agents, employees, contractors, servants, licensees and invitees **("Tenant's Agents")** in such a manner as not to interfere with or disturb other tenants or Landlord in the management of the Property. Tenant will maintain the Premises in a clean condition (subject to Landlord's obligation to provide cleaning and janitorial services hereunder), and comply with all Legal Requirements with reference to Tenant's particular manner of use and occupancy of the Premises (as opposed to office use generally).

6. ENVIRONMENTAL HAZARDS .

6.1 Tenant and Tenant's Agents shall not use, maintain, generate, allow or bring on the Premises or the Property or transport or dispose of, on or from the Premises or the Property (whether into the ground, into any sewer or septic system, into the air, by removal off site or otherwise) any Hazardous Matter (as hereinafter defined), except for storage, handling and use of reasonable quantities and types of cleaning fluids and office supplies in the Premises in the ordinary course of Tenant's business in the Premises for the Permitted Use in accordance with Environmental Requirements.

6.2 Tenant shall promptly deliver to Landlord copies of any notices, orders or other communications received from any governmental agency or official affecting the Premises and concerning alleged violations of the Environmental Requirements (as hereinafter defined).

6.3 To the maximum extent enforceable by law, Tenant covenants and agrees to exonerate, indemnify, defend (with counsel reasonably acceptable to Landlord), protect and save Landlord, together with (A) Landlord's members and managers, and their respective members and managers, partners, shareholders, officers, directors, agents and employees **("Landlord's Agents")** and (B) Landlord's property manager and mortgagee (if any) **("Landlord's Insured**

Parties"), from and against any and all Environmental Damages (as hereinafter defined) which may be asserted by any person or entity, or government agency, or which the indemnified parties may sustain or be put to on account of: (1) the presence or release of any Hazardous Matter in, upon or from the Property (including the Premises) caused by the act or omission of Tenant or Tenant's Agents; (2) the act or omission of Tenant or Tenant's Agents in violation of Environmental Requirements; and (3) the breach of any of Tenant's obligations under Section 6 .

6.4 The provisions of this Section shall be in addition to any other obligations and liabilities Tenant may have to Landlord under this Lease or otherwise at law or in equity, and in the case of conflict between Section 6 and any other provision of this Lease, the provision imposing the most stringent requirement on Tenant shall control. The obligations of Tenant under Section 6 shall survive the expiration or earlier termination of this Lease and the transfer of title to the Premises.

6.5 The following terms as used herein shall have the meanings set forth below:

(A) **"Hazardous Matter"** shall mean any substance: (1) which is or becomes defined as Hazardous Substance, Hazardous Waste, Hazardous Material, Oil or similar substance or material under any Legal Requirements, including, without limitation, The Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq., and the regulations promulgated thereunder, as the same may be amended from time to time; or (2) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous to health or the environment and which is or becomes regulated and the presence of which requires investigation or remediation pursuant to all applicable law

(B) **"Environmental Requirements"** shall mean all applicable law, the provisions of any and all approvals, and the terms, covenants and conditions of this Lease insofar as the same relate to the release, maintenance, use, keeping in place, transportation, disposal or generation of Hazardous Matter, including, without limitation, those pertaining to reporting, licensing, permitting, health and safety of persons, investigation, containment, remediation, and disposal.

(C) **"Environmental Damages"** shall mean all liabilities, injuries, losses, claims, damages (whether punitive, special, consequential or otherwise), settlements, attorneys' and consultants' fees, fines and penalties, interest and expenses, and costs of environmental site investigations, reports and cleanup, including, without limitation, costs incurred in connection with any investigation or assessment of site conditions or of health of persons using the Building or the Property; risk assessment and monitoring; any cleanup, remedial, removal or restoration work required by any governmental agency or recommended by Landlord's environmental consultant; any decrease in value of the Property; any damage caused by loss or restriction of rentable or usable space in the Property; or any damage caused by adverse impact on marketing or financing of the Property.

7. RULES AND REGULATIONS . Tenant agrees to comply with, and cause Tenant's Agents to comply with, the rules and regulations (the **"Rules and Regulations")** of the Property attached hereto as Exhibit B (Rules and Regulations) and Landlord's commercially reasonable changes thereto. In the event of a conflict between the terms, covenants and conditions of this

Lease and the Rules and Regulations, the terms, covenants and conditions of this Lease shall control. Notwithstanding anything to the contrary in this Lease contained, Landlord agrees that it will not enforce said Rules and Regulations against Tenant in a discriminatory or arbitrary manner (recognizing that differing circumstances may justify different treatment).

8. INITIAL IMPROVEMENTS TO THE PREMISES .

8.1 Landlord's Work .

A. Preparation of Plans . Landlord is currently having plans (the **"Plans")** for the interior finish and other tenant improvements to the Premises prepared in accordance with Building Standard tenant finish and otherwise with the schematic plans and specifications attached hereto and made a part hereof as Exhibit D . The Plans shall be submitted to Tenant for its approval with respect to any changes from the elements shown and previously approved in Exhibit D , which shall not be unreasonably withheld or delayed. Failure by Tenant to disapprove any such submission or resubmission of the Plans within five (5) days after submission or any resubmission shall constitute approval thereof. Any disapproval shall be accompanied by a specific statement of the reasons therefor. For purposes hereof, the Plans approved (or deemed approved) by Tenant shall referred to as the **"Approved Plans".** As used herein, **"Landlord's Work"** shall mean the work to be performed by Landlord pursuant to the Approved Plans.

B. Extra Work . Notwithstanding anything to the contrary herein, if Tenant wants Landlord to perform or supply any additional work or non-Building Standard work, installations, materials or finishes over and above, or in lieu of, the improvements shown on the plans and specifications attached as Exhibit D (the **"Extra Work"),** Landlord may refuse the Extra Work. Any agreement to do the Extra Work must be in writing describing the Extra Work, all hard and soft costs and expenses to be paid by Tenant for the Extra Work, including, without limitation, Landlord's construction management fee, and any payment terms therefor. Any and all costs incurred for the preparation, filing or approval of plans and specifications relating to the Extra Work shall be paid for by Tenant without regard to whether or not Landlord agrees to do the Extra Work. If Tenant fails to make any agreed payment for the Extra Work within five (5) days after Landlord invoices Tenant for the same, Landlord shall have the same remedies against Tenant for such non-payment as for non-payment of any other item of Rent.

C. Consequences of Extra Work . Notwithstanding anything contained herein or elsewhere in this Lease to the contrary, if there is any increase in Landlord's cost for Landlord's Work or if Landlord is delayed in Substantial Completion of Landlord's Work as a result of: (1) Landlord's performance of the Extra Work; or (2) the performance of any work by Tenant or Tenant's Agents, then, in such event, (a) Tenant shall be responsible for the increase in Landlord's hard and soft costs for Landlord's Work, and (b) such delay shall constitute a Tenant Delay as provided below in Section 8.1(F).

D. Performance of Landlord's Work . The parties acknowledge that the Phase II Premises is currently leased to Planck pursuant to the Planck Lease (as those terms are defined in Section 42 below). The term of the Planck Lease is scheduled to expire on November 30, 2017. The parties further acknowledge that the Planck Lease contains a provision that gives Landlord

the right **("Landlord's Early Construction Right")** to perform additions, alterations and improvements to the Phase II Premises before the expiration of the Planck Lease if Planck has vacated the Phase II Premises during the last six (6) months of the term of the Planck Lease. Landlord hereby agrees to (i) invoke Landlord's Early Construction Right and (ii) commence Landlord's Work promptly after the Phase I Commencement Date provided that Planck (a) in fact fails to re-occupy the Phase II Premises (Landlord acknowledging that Tenant currently sublets the Phase II Premises from Planck as further described in Section 42 hereof) and (b) does not otherwise delay the performance of Landlord's Work **("Existing Tenant Delays").** Landlord's Work shall be performed at Landlord's sole cost and expense using Building Standard materials and finishes (except to the extent otherwise set forth on the Approved Plans), in a good workmanlike manner and in accordance with the Approved Plans and all applicable Legal Requirements and Environmental Requirements. Landlord shall furnish Tenant with a construction schedule letter setting forth the projected completion dates for Landlord's Work and showing the deadlines for any actions required to be taken by Tenant during such construction, and Landlord may from time to time during construction of Landlord's Work modify such schedule upon written notice to Tenant. Subject to delays due to events of Force Majeure (as hereinafter defined) or Tenant Delay (as hereinafter defined), Landlord shall use commercially reasonable efforts to complete Landlord's Work as quickly and efficiently as possible, but Tenant shall have no claim against Landlord for failure to complete Landlord's Work. Landlord shall make available to Tenant the benefit of all contractor's and manufacturer's warranties in connection with Landlord's Work. The parties hereby acknowledge that Landlord's Work will be performed while Tenant is occupying the Premises, and the parties therefore agree to coordinate with one another with respect to the performance of Landlord's Work in order to prevent any delay in the completion of Landlord's Work and minimize any material interference with Tenant's operations in the Phase I Premises; provided, however, that (i) except as set forth in Section 8.1.H hereof, Tenant shall not be entitled to any diminution in rental value, and shall have no claim against Landlord, on account of the performance of Landlord's Work, and (ii) Landlord's obligation to perform Landlord's Work shall not require Landlord to incur overtime costs or expenses. If Tenant shall notify Landlord in writing within eleven (11) months after Landlord's Work is Substantially Complete of any failure of Landlord to complete, or any latent defect in, Landlord's Work in accordance with the Approved Plans, Landlord shall repair such defects or deficiencies in Landlord's Work at Landlord's cost and expense.

E. Substantial Completion of Landlord's Work . Landlord's Work shall be deemed **"Substantially Complete"** when Landlord's licensed architect or engineer certifies to Landlord and Tenant that Landlord's Work has been completed in accordance with the Approved Plans, Punchlist Items (as hereinafter defined) excepted and subject to Tenant's inspection as hereinafter set forth.

F. Tenant Delay . Tenant shall, within ten (10) days after Landlord's demand therefor, reimburse Landlord the amount, if any, by which the cost of Landlord's Work is increased as the result of any Tenant Delay. A " Tenant Delay " shall be defined as delay in the performance of Landlord's Work resulting from the following:

(1) any delay by Tenant in approving the Plans;

(2) any request by Tenant that Landlord delay the commencement or completion of Landlord's Work for any reason;

(3) any change by Tenant in any of the Approved Plans;

(4) any other act or omission of Tenant or its officers, agents, employees or contractors (provided that if such act or omission is not specified herein, then the same shall not constitute a Tenant Delay unless the same continues for more than two (2) Business Days after Landlord sends notice thereof to Tenant);

(5) any delay caused by Tenant's request for Extra Work; or

(6) any reasonably necessary displacement of any of Landlord's Work from its place in Landlord's construction schedule resulting from any of the causes for delay referred to in this Section 8.1(F) and the fitting of such Landlord's Work back into such schedule.

G. Punchlist Items . Promptly following Substantial Completion of Landlord's Work, Landlord, Tenant and their respective construction representatives shall inspect the Premises to confirm Substantial Completion of Landlord's Work and prepare a list of minor outstanding items thereof which need to be completed and which will not materially interfere with the normal conduct of Tenant's business in the Premises **("Punchlist Items").** Landlord shall use commercially reasonable efforts to complete all Punchlist Items within sixty (60) days of the date of the Punchlist. If Landlord fails to complete any Punchlist Items as a result of events of Force Majeure or Tenant Delay, Landlord shall have such additional time as is reasonably necessary to complete the delayed Punchlist Items.

H. Remedies for Late Completion . Landlord shall use reasonable efforts to Substantially Complete Landlord's Work on or before the date that is twelve (12) weeks after the Execution Date of this Lease (the **"Estimated Substantial Completion Date").** If Landlord has not Substantially Completed Landlord's Work on or before the First Outside Date (defined below), Tenant shall be entitled to a credit against Tenant's obligation to pay Base Rent following the Phase II Rent Commencement Date equal to one (1) day for each day between the First Outside Date and the earlier to occur of the Second Outside Date (defined below) or the Substantial Completion of Landlord's Work. The **"First Outside Date"** shall mean the date thirty (30) days after the Estimated Substantial Completion Date, provided, however, that the First Outside Date shall be extended by the length of any delays in Landlord's Work arising from Force Majeure, Tenant Delays and/or Existing Tenant Delays. Furthermore, if Landlord has not Substantially Completed Landlord's Work on or before the Second Outside Date (defined below), Tenant shall be entitled to a credit against Tenant's obligation to pay Base Rent following the Phase II Rent Commencement Date equal to two (2) days for each day between the Second Outside Date and the Substantial Completion of Landlord's Work. The **"Second Outside Date"** shall mean the date sixty (60) days after the Estimated Substantial Completion Date; provided, however, that the Second Outside Date shall be extended by the length of any delays in Landlord's Work arising from Force Majeure, Tenant Delays and/or Existing Tenant Delays. The provisions set forth in this Section 8.1(H) shall be Tenant's sole remedy for any delay in the Substantial Completion of Landlord's Work.

8.2 Quality and Performance of Work . All work performed by Tenant under this Lease, whether constituting part of (i) any installation of Tenant's furniture, fixtures and equipment **("Tenant's Work"),** (ii) Cable Work (as hereinafter defined) or (iii) Alterations (as hereinafter defined), shall be done in a good and workmanlike manner, by contractors reasonably approved by Landlord, and in compliance with all Legal Requirements, Rules and Regulations, and other provisions (including, without limitation, insurance provisions) of this Lease. All work shall be reasonably coordinated with any work being performed by or for Landlord, and in such a manner as to maintain harmonious labor relations.

9. CABLE WORK .

9.1 Tenant may install, maintain, replace, remove (collectively, the **"Cable Work"**) or use any electronic, phone and data wires, cables, fibers, connections and related telecommunications equipment and/or other facilities for telecommunications (collectively, **"Cable(s)"**) within or serving the Premises, provided: (A) any such installation, maintenance, replacement, removal or use shall comply with Section 8.2 (Quality and Performance of Work) and shall not interfere with the use of any then-existing Cables within or serving the Building, (B) an acceptable number of spare Cables and space for additional Cables shall be maintained for existing and future occupants of the Building, as determined in Landlord's reasonable opinion, (C) if Tenant at any time uses any equipment that may create an electromagnetic field exceeding the normal insulation ratings of ordinary twisted pair riser Cable or cause radiation higher than normal background radiation, the Cables therefor (including riser Cables) shall be appropriately insulated to prevent such excessive electromagnetic field or radiation, (D) Tenant's rights shall be subject to the rights of any regulated telephone company, and (E) Tenant shall pay all costs in connection therewith. Landlord shall at all times maintain exclusive control over all risers (including their use) in the Building provided that Landlord shall at all times during the Lease Term make available a reasonable amount of space in risers for telecommunications connectivity between the Premises and the telecommunications point of entry in the Building. Landlord reserves the right to require that Tenant remove any Cables located in or serving the Premises that are installed by or on behalf of Tenant in violation of these provisions, or which are at any time in violation of any applicable Legal Requirements or represent a dangerous or potentially dangerous condition, within three (3) Business Days after receipt of written notice by Landlord to Tenant or such longer period of time as is reasonably necessary.

9.2 Landlord may (but shall not have the obligation to) (A) install new Cable at the Building, (B) create additional space for Cable at the Building, and (C) reasonably direct, monitor and/or supervise the installation, maintenance, replacement and removal of the allocation and periodic reallocation of available space (if any) for, and the allocation of excess capacity (if any) on, any Cable now or hereafter installed at the Building by Landlord, Tenant or any other party (but Landlord shall have no right to monitor or control the information transmitted through the Cables). Such rights shall not be in limitation of other rights that may be available to Landlord by law, in equity or otherwise. If Landlord exercises any such rights, Landlord may charge Tenant for such reasonable and actual out-of-pocket costs attributable to Tenant for Cable Work requested or approved in writing by Tenant, or may include those costs and all other such costs in Operating Expenses (including without limitation, costs for acquiring and installing Cable and risers to accommodate new Cable and spare Cable, any associated computerized system and software for maintaining records of Cable connections, and the reasonable fees of any consulting engineers and other experts, subject to the provisions of Exhibit C attached hereto).

9.3 Notwithstanding anything to the contrary contained in this Lease, Landlord reserves the right to require that Tenant remove any or all Cables installed by or for Tenant within or serving the Premises upon the expiration or earlier termination of this Lease. Any Cables not required by Landlord to be removed pursuant to this Section 9.3 at the expiration or earlier termination of this Lease shall, at Landlord's option, become the property of Landlord (without payment by Landlord). If Tenant fails to remove such Cables as required by Landlord, or violates any other provision of this Section 9.3 , Landlord may, after twenty (20) days' notice to Tenant, remove such Cables or remedy such other violation, at Tenant's expense (without limiting Landlord's other remedies available under this Lease, at law or in equity), which amount shall be paid by Tenant within fifteen (15) days after Tenant's receipt of demand by Landlord. Tenant shall not, without Landlord's prior written consent in each instance (which may be withheld in Landlord's sole and absolute discretion), grant to any third party a security interest or lien in or on the Cable, and any such security interest or lien granted without Landlord's prior written consent shall be null and void. Notwithstanding anything to the contrary contained in this Lease, Landlord shall have no liability for damages arising from, and Landlord does not warrant that the Tenant's use of any Cable will be free from, the following (collectively, **"Cable Problems"**): (A) any eavesdropping or wiretapping by unauthorized parties, (B) any failure of any Cable to satisfy Tenant's requirements, or (C) any shortages, failures, variations, interruptions, disconnections, loss or damage caused by the installation, maintenance, replacement, use or removal of Cables or by any failure of the environmental conditions or the power supply for the Building to conform to any requirements for the Cables or any associated equipment, or any other problems associated with any Cable by any other cause. Under no circumstances shall any Cable Problems be deemed an actual or constructive eviction of Tenant, render Landlord liable to Tenant for abatement of Rent or otherwise, or relieve Tenant from performance of Tenant's other obligations under this Lease. Landlord in no event shall be liable for damages by reason of loss of profits, business interruption or other consequential damage arising from any Cable Problems. Notwithstanding anything to the contrary contained herein, Tenant shall have no obligation to remove any Cable existing in or serving the Premises as of the date of this Lease. The provisions of this Section 9.3 shall survive the expiration or earlier termination of this Lease.

10. ALTERATIONS, ADDITIONS AND IMPROVEMENTS TO THE PREMISES .

10.1 Generally . Other than Landlord's Work (which shall be governed by the provisions of Section 8 above) and Cable Work (which shall be governed by the provisions of Section 9 above), Tenant shall not make any alterations, additions, improvements or other changes in or to the Premises **("Alterations"),** other than the installation of typical office decorations and furnishings which are not affixed to the realty, without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed; *provided* , *however* , that if the proposed Alterations affect the exterior, architectural design or structural components of the Building, or affect the Building systems (including, without limitation, the roof, mechanical, electrical, plumbing, heating, ventilation and air conditioning **("HVAC"),** telecommunication, life safety, and security systems), Landlord may withhold its consent to such Alterations in Landlord's sole and absolute discretion. Without limitation, it

shall not be unreasonable for Landlord to withhold its consent to any Alterations which would require Landlord to make improvements to the Building or the Property (or undertake special maintenance, repair or replacement obligations with respect to the Building or the Property) not within the scope of those expressly provided for herein, unless Tenant agrees, at the time of its request for approval or notice of such Alterations, to pay all costs associated with Landlord's improvements or obligations.

10.2 Removal . Landlord shall notify Tenant in writing, at the time Landlord approves the plans therefor (or at least sixty (60) days before the end of the Lease Term with respect to any IT infrastructure), whether or not Tenant's Work or Alterations will be required to be removed by Tenant at the end of the Lease Term. Tenant shall be obligated to remove any Tenant's Work or Alterations that Landlord has not so designated in writing will be permitted to remain on the Premises in accordance with Section 35 . Tenant acknowledges and agrees that any work or alterations (including, without limitation, Tenant's Work and Alterations) performed by or for the benefit of Tenant shall be the property of Tenant during the Lease Term. Notwithstanding anything to the contrary contained herein, Tenant shall have no obligation to remove or restore with respect to (i) any improvements existing in the Premises as of the date of this Lease or (ii) Landlord's Work.

10.3 Tenant's Property . Tenant shall pay, prior to delinquency, all taxes assessed against and levied upon Tenant's Property (as hereinafter defined). If any of Tenant's Property shall be assessed with Landlord's real or personal property, Tenant shall pay to Landlord the taxes attributable to Tenant within fifteen (15) days after receipt of a written statement from Landlord setting forth the taxes applicable to Tenant's Property. As used herein, **"Tenant's Property"** means all tangible and intangible goods and accounts, inventory, merchandise, furniture, personal property, business fixtures, movable equipment (including computer equipment and any data stored thereon) and systems, as well as the personal property of others held or leased by Tenant or otherwise in the Premises.

10.4 Additional Covenants .

(A) All Alterations shall be made (1) at Tenant's sole cost and expense, and (2) according to plans and specifications approved in writing by Landlord in accordance with Section 10.1 above (to the extent plans and specifications and Landlord's approval are required).

(B) Tenant shall pay to Landlord a fee equal to five percent (5%) of the cost of any Alterations to compensate Landlord for the overhead and other costs it incurs in reviewing the plans therefor and in monitoring the construction of the Alterations.

(C) Tenant shall provide Landlord with "as built" plans for any Alterations for which plans are used, regardless of whether the Alterations require Landlord's consent hereunder.

(D) Tenant shall provide Landlord with copies of any warranties for Alterations (including materials and equipment), and either assign to Landlord, or enforce on Landlord's behalf, all such warranties to the extent repairs and/or maintenance on warranted items would be covered by such warranties and are otherwise Landlord's responsibility under this Lease.

(E) Tenant acknowledges and agrees that Landlord shall have the right, at reasonable times upon reasonable notice, to examine and inspect any Alterations; *provided, however,* that no such examination or inspection shall constitute an approval or warranty or give rise to any liability of Landlord with respect thereto.

(F) All Alterations shall be coordinated with any work being performed by or for Landlord, and in such a manner as to maintain harmonious labor relations.

(G) Tenant shall keep all construction areas clean and free of trash and debris.

10.5 Mechanic's Liens . Tenant agrees immediately to discharge (either by payment or by filing of the necessary bond or otherwise) any mechanic's, materialman's or other lien or encumbrance against the Property which arises out of any payment due for, or purported to be due for, any labor, services, materials, supplies or equipment alleged to have been furnished to or for Tenant. If Tenant shall fail to discharge such lien or encumbrance within ten (10) days after written notice from Landlord then, in addition to any other right or remedy of Landlord, Landlord may, but shall not be obligated to, discharge the same (either by payment or by filing of the necessary bond or otherwise), and any payment, costs and expenses incurred by Landlord in connection therewith, including reasonable attorneys' fees, shall be repaid by Tenant to Landlord on demand, together with interest thereon at the rate set forth in Section 1.9 from the date of payment.

10.6 Security System . Tenant may, at its sole cost and expense and subject to the Alterations provisions of this Article 10, install a (or modify the existing) security system controlling access to the Premises **("Security System").** The Security System shall be provided by a company reasonably acceptable to Landlord. Tenant shall furnish Landlord with a copy of all key codes or access cards to allow Landlord access to the Premises as set forth in this Lease. Additionally, Tenant shall ensure that the Security System shall comply with all applicable laws, rules and regulations, including all fire safety laws, and in no event shall Landlord be liable for, and Tenant shall defend, indemnify, and hold harmless Landlord and its representatives and agents from and against, any claims, demands, liabilities, causes of action, suits, judgments, damages and expenses arising from the Security System or the malfunctioning thereof in accordance with Tenant's indemnity obligations set forth herein.

11. SIGNAGE .

11.1 Restrictions on Signage . No signs, banners, awnings or other projections of any kind whatsoever shall be attached to the outside walls of the Building (or made visible from the outside of the Building) without Landlord's prior written consent, and no curtains, drapes, blinds, shades or screens shall be attached to or hung in, or used in connection with, any window or door of the Premises other than Landlord's Building Standard window coverings.

11.2 Building Standard Signage . Landlord shall provide and maintain (A) in the main lobby of the Building, an alphabetical directory board or other directory device listing all tenants in the Building, including Tenant, and (B) in the elevator lobby of the floor on which the Premises are located, an alphabetical directory board or other directory device listing all tenants on the floor, including Tenant. Landlord shall install Building standard signage containing the name of Tenant at the entrance to the Premises at Landlord's expense (provided that any modifications thereto during the Term shall be subject to Landlord's prior written consent and at Tenant's expenses), or in lieu thereof, Tenant, at Tenant's election, shall have the right, at Tenant's expense, to install signage at the entrance to the Premises, subject to Landlord's prior written consent, which shall not be unreasonably withheld, delayed or conditioned. Landlord shall install Building standard signage containing the name of Tenant on the Building's existing tenant identification monument sign at Tenant's expense **("Tenant's Monument Signage").** In the event that the originally-named Tenant shall no longer occupy the entirety of the Premises, then Landlord shall have the right to remove Tenant's Monument Signage at Tenant's expense.

12. LANDLORD'S OBLIGATIONS .

12.1 Landlord shall provide Tenant with the following services : (A) electricity to the Premises for general office use in accordance with, and subject to the terms, covenants and conditions of, Section 14 of this Lease; (B) HVAC during Operating Hours to provide a temperature required, in Landlord's reasonable judgment, for the comfortable occupancy of the Premises in accordance with the Permitted Use; *provided, however,* that Tenant shall be responsible for the cost of electricity necessary to operate the air conditioning serving the Premises during any period when electricity is separately metered pursuant to Section 14 of this Lease; (C) water for drinking and restroom facilities; *provided, however,* that Tenant shall be responsible for the cost of water serving any private kitchens or private restrooms (but not the existing kitchenettes/pantries) to the extent separately metered; (D) janitorial service in the Premises and the Common Areas on Business Days in accordance with the cleaning specifications designated by Landlord from time to time; (E) passenger elevator service, 24 hours a day, 7 days a week; (F) freight elevator service (if applicable) on Business Days, upon request of Tenant and subject to scheduling and reasonable charges by Landlord for service outside of Operating Hours; (G) a card access security system for access to the Building after Operating Hours; and (H) snow removal and snow plowing for Common Areas and Parking Areas. In the event Tenant requests HVAC service to the Premises outside of Operating Hours, Landlord shall provide such HVAC service and Tenant agrees to pay Landlord for such HVAC service at the then current Building rate, which is currently $75.00 per hour per zone. Such hourly rate shall be subject to reasonable adjustments from time to time to reflect increases in Landlord's costs for providing such additional service. Landlord shall be obligated to maintain the following through the Lease Term: (1) all structural and exterior components of the Building (including, without limitation, foundations, floors, structural supports, roofs and roof structures, windows), (2) all Building systems (including, without limitation, mechanical, electrical, plumbing, HVAC, telecommunication, life safety, and security systems), and (3) all Common Areas in good working order and condition.

12.2 If Tenant requests any other utilities or Building services in addition to or in lieu of those identified in Section 12.1 , or in frequency, scope, quality or quantity substantially greater than the standards set by Landlord for the Building, then Landlord may refuse such request for additional utilities or Building services. Any agreement to provide additional utilities or Building services must be in writing describing the additional utilities or Building services, the price to be paid by Tenant, and any payment terms therefor. If Tenant fails to make any agreed payment for additional utilities or Building services within thirty (30) days after Landlord invoices Tenant for the same, Landlord shall have the same remedies for such non-payment as it has for non-payment of Rent in addition to whatever other remedies are available to Landlord.

12.3 Landlord shall not be liable for any failure to supply, or interruption or termination of, in whole or in part, any utilities or Building services identified in Section 12.1 , nor shall the same be construed as an actual or constructive eviction of Tenant, nor give rise to an abatement of Rent, nor relieve Tenant from the obligation to fulfill any covenant or agreement hereof, including the payment of Rent. Furthermore, Landlord shall not be liable for loss of property, or injury to, or interference with, Tenant's business, including, without limitation, loss of profits, however occurring, through or in connection with, or incidental to, an interruption or termination of any such utilities or Building services. Notwithstanding the foregoing, and subject to the terms and conditions of this Section 12.3, if (A) (1) Landlord fails to perform its maintenance obligations under this Lease or (2) there is an interruption, suspension or stoppage of any service which Landlord is required to provide pursuant to this Lease, including but not limited to Section 12.1, ((1) and (2) each a **"Service Interruption"),** (B) such Service Interruption was the result of causes, events or circumstances within Landlord's reasonable control, (C) such Service Interruption was not caused by Tenant or Tenant's Agents, (D) such Service Interruption continues for more than five (5) consecutive Business Days after Landlord's receipt of written notice from Tenant of such Service Interruption, and (E) as a result of such Service Interruption, the conduct of Tenant's normal business operations in the Premises is materially and adversely affected, then there shall be an abatement of one day's Base Rent for each day during which such Service Interruption continues after such five (5) consecutive Business Day period; provided, however, that if any portion of the Premises is reasonably usable for Tenant's normal business operations or if Tenant conducts all or any part of its business operations in any portion of the Premises notwithstanding such Service Interruption, then the amount of the daily abatement of Base Rent shall be proportionate to the nature and extent of the interruption of Tenant's normal business operations or ability to use the Premises.

13. MAINTENANCE AND REPAIRS . Except to the extent such obligations are expressly imposed upon Landlord hereunder, Tenant shall, at its sole cost and expense, maintain the Premises (including, without limitation, any supplemental electrical or HVAC systems serving Tenant's computer equipment, telecommunication, life safety, and security systems, private kitchens, and private restrooms) in good order, condition and repair throughout the entire Lease Term. Tenant agrees to keep the areas visible from outside the Premises in a neat, clean and attractive condition at all times. Tenant shall, within thirty (30) days after Landlord's written demand therefor, reimburse Landlord for the actual and reasonable out-of-pocket cost of all repairs and replacements in and to the Premises, the Building, and/or the Property (including, without limitation, the facilities and systems thereof), plus an administration charge of five percent (5%) of such cost, if the need for such repairs and replacements arises out of Tenant's use or occupancy of the Premises.

14. ELECTRICITY .

All electricity used by Tenant in the Premises shall be billed to Tenant by Landlord based on Landlord's reading of one or more sub-meters or check meters serving solely the Premises and the actual cost of such electricity (without mark-up by Landlord) shall be payable by Tenant to

Landlord as Additional Rent within thirty (30) days after billing. Landlord shall have the right at any time and from time to time during the Lease Term to contract for electricity from such providers of such services as Landlord shall elect (each being an **"Electric Service Provider").** Tenant shall cooperate with Landlord and the Electric Service Provider, at all times and, as reasonably necessary, shall allow Landlord and the Electric Service Provider reasonable access to the Building's electric lines, feeders, risers, wiring, and any other machinery within the Premises. Tenant's use of electrical services furnished by Landlord shall not exceed in voltage, rated capacity, or overall load that which is standard for the Building, which is five (5) watts per usable square foot of the Premises. Landlord, at any time during the Lease Term, shall have the right, at Landlord's sole cost and expense, to separately meter electricity for the Premises, in which case electricity shall be paid by Tenant directly to the Electric Service Provider.

15. INSURANCE .

15.1 Landlord's Insurance . Landlord shall maintain special form property insurance on the Building for its full replacement value such amounts and subject to such deductibles as Landlord may reasonably determine. Such insurance shall be maintained with an insurance company selected by Landlord and payment for losses thereunder shall be made solely to Landlord subject to the rights of the mortgagee from time to time. Additionally Landlord may maintain such additional insurance, including, without limitation, earthquake insurance, terrorism insurance, flood insurance, liability insurance and/or rent insurance, as Landlord may in its sole discretion elect. Any such insurance coverage may be effected directly and/or through the use of blanket insurance coverage covering more than one location and may contain such commercially reasonable deductibles as Landlord may elect in its discretion. The cost of such insurance shall be included as part of Operating Expenses.

15.2 Tenant's Insurance . Tenant shall, at all times during the Lease Term (or such earlier or later period as Tenant is in possession of the Premises or any portion thereof), procure and maintain at its sole cost and expense:

(A) Property . Property insurance in an amount equal to the full replacement cost of Tenant's Work, Alterations and Tenant's Property located in the Premises, which shall provide protection against loss by fire and other casualties and risks, on the special causes of loss form, including earthquake and flood.

(B) Commercial General Liability . Commercial general liability insurance (including contractual, host liquor and personal injury liability insurance) in an amount not less than $1,000,000.00 per occurrence and $2,000,000.00 annual aggregate (or such higher limits as may be reasonably required by Landlord or Landlord's mortgagee from time to time).

(C) Automobile Liability . Automobile liability insurance for owned, non-owned and hired vehicles in an amount not less than $1,000,000.00 per occurrence.

(D) Workers' Compensation and Employers' Liability . The statutory limits of workers' compensation and employers' liability insurance in amounts adequate to satisfy the umbrella underlying requirements.

(E) Excess/Umbrella Liability . Umbrella liability coverage in an amount not less than $3,000,000.00 per occurrence. Umbrella liability coverage is to be in excess of the commercial general liability, automobile liability, and workers' compensation and employers' liability requirements outlined in Sections 15.2 (B) , (C) and (D) above.

(F) The liability coverage in the insurance policies required in Sections 15.2(B) , (C) and (E) above shall name Landlord and Landlord's Insured Parties as additional insureds on a primary non-contributing basis. All insurance policies required in Sections 15.2(A) – (E) above shall be issued by companies authorized to do business in Massachusetts with an A.M. Best's financial rating of A or better and a size class rating of VII (7) or larger or otherwise reasonably acceptable to Landlord. At or prior to the Phase I Commencement Date, Tenant shall deposit with Landlord a certificate of insurance (countersigned by the insurer) for each of the insurance policies Tenant is required to carry in compliance with its obligations under this Lease. If obtainable, such insurance policies shall contain a provision that the insurer will not cancel or refuse to renew the policy, or change in any material way the nature or extent of the coverage provided by such policy, without first giving at least thirty (30) days prior written notice to Landlord and Landlord's Insured Parties. Tenant's failure to obtain and maintain the required insurance shall constitute an Event of Default under this Lease. If Tenant shall fail to remedy such Event of Default within five (5) days after written notice by Landlord, Tenant will be liable for any and all costs, liabilities, damages and penalties resulting to Landlord and Landlord's Insured Parties from such termination, unless a written waiver of the specific insurance requirement(s) is provided to Tenant by Landlord and Landlord's Insured Parties.

15.3 Insurance During Construction . In addition, during the performance of any construction by Tenant on the Premises, in addition to the above coverage required to be maintained by Tenant, Tenant shall cause any general contractors and sub-contractors performing work to carry: (A) commercial general liability insurance in an amount not less than $1,000,000.00 per occurrence and $2,000,000.00 annual aggregate (or such higher limits as may be reasonably required by Landlord or Landlord's mortgagee from time to time); (B) the statutory limits of workers' compensation and employers' liability insurance in amounts adequate to satisfy the umbrella underlying requirements; (C) umbrella liability coverage in an amount not less than $3,000,000.00 per occurrence (to be in excess of the commercial general liability and workers' compensation and employers' liability requirements outlined in Sections 15.3(A) and (B) above); and (D) builder's risk insurance on the special causes of loss form, including earthquake and flood, to protect Landlord's and Tenant's interests during the course of the construction with a limit of not less than the total replacement cost of the completed improvements under construction. Such contractor insurance policies shall name Landlord and Landlord's Insured Parties as additional insureds on a primary non-contributing basis.

15.4 Waiver of Subrogation . Landlord and Tenant hereby release each other from any and all liability or responsibility to the other or anyone claiming by, through or under them by way of subrogation or otherwise for any loss or damage to property caused by fire or other casualty, even if such fire or other casualty shall have been caused by the fault or negligence of the other party, or anyone for whom such party may be responsible; *provided, however,* that this release shall be applicable and in full force and effect only to the extent permitted by law and only to the extent that the cost of repairing such damage is covered by insurance or would have

been covered by insurance proceeds payable under any policy (including the deductible and/or uninsured portion thereof) required to be maintained under this Lease, but not so maintained. Each policy of such insurance shall, if obtainable from the insurer, contain a waiver of subrogation by the insurer against Landlord or Tenant, as the case may be. In the event a party is unable to obtain such a waiver, it shall immediately notify the other of this inability. In the absence of such notification, each party shall be deemed to have obtained such a waiver of subrogation.

16. INDEMNIFICATION .

(A) To the maximum extent enforceable by law, but subject to Section 15.2 (Tenant's Insurance) and Section 15.4 (Waiver of Subrogation), Tenant covenants and agrees to exonerate, indemnify, defend (with counsel reasonably acceptable to Landlord), protect and save Landlord, Landlord's Agents and Landlord's Insured Parties harmless from and against any and all claims, demands, expenses, losses, suits and damages (including reasonable attorneys' fees) as may be occasioned by reason of (A) any accident, injury or damage occurring in or about the Premises causing injury to persons or damage to property; (B) the occupancy of the Premises by Tenant or Tenant's Agents (or any person or entity claiming by, through or under Tenant or Tenant's Agents); (C) any act, omission, negligence or misconduct by Tenant or Tenant's Agents (or any person or entity claiming by, through or under Tenant or Tenant's Agents); and (D) the breach or default by Tenant or Tenant's Agents of any representation, covenant, or other term contained in this Lease. Tenant's obligations hereunder shall include any other matters for which Tenant has agreed to indemnify Landlord pursuant to any other provision of this Lease.

(B) To the maximum extent enforceable by law, but subject to Section 15.1 (Landlord's Insurance) and Section 15.4 (Waiver of Subrogation), Landlord covenants and agrees to exonerate, indemnify, defend, protect and save Tenant and Tenant's Agents harmless from and against any and all claims, demands, expenses, losses, suits and damages (including reasonable attorneys' fees) caused solely by (A) the negligence or willful misconduct of Landlord or Landlord's Agents or (B) the breach or default by Landlord or Landlord's Agents of any representation, covenant, or other term contained in this Lease.

17. DAMAGES FROM CERTAIN CAUSES . To the maximum extent enforceable by law, but subject to Section 15.2 (Tenant's Insurance) and Section 15.4 (Waiver of Subrogation), Landlord shall not be liable to Tenant or Tenant's Agents, or any other person or party claiming by, through or under Tenant or Tenant's Agents, for any accident, injury or damage occurring in or about the Premises or any other portion of the Property causing injury to persons or damage to property resulting from any accident or occurrence in the Premises or any other portion of the Property caused by (A) Tenant or Tenant's Agents, (B) other tenants of the Property, or (C) any defect in or failure of equipment, pipes, or wiring, or by broken glass, or by backing up of drains, or by gas, water, steam, electricity, or oil leaking, escaping or flowing into the Premises.

18. FIRE OR OTHER CASUALTY .

18.1 In the event of damage to or destruction of the Premises or the Building caused by fire or other casualty **("Event of Casualty"),** Landlord shall undertake to make repairs and restorations with reasonable diligence, subject however to the limitations imposed by then

existing Legal Requirements, unless this Lease has been terminated by Landlord or Tenant as hereinafter provided, or unless any mortgagee which is entitled to receive casualty insurance proceeds fails to make available to Landlord a sufficient amount of such proceeds to cover the cost of such repairs and restorations. Landlord shall, within forty-five (45) days after Landlord becomes aware of the Event of Casualty, provide Tenant with a good faith estimate of the time required to repair the damage to the Premises or the Building, as the case may be. If, in Landlord's reasonable judgment, the damage is of such nature or extent that more than one hundred and eighty (180) days after the Event of Casualty would be required (with normal work crews and normal work hours) to repair and restore the Premises or the Building, then Landlord may elect to terminate this Lease by giving Tenant written notice of such termination within sixty (60) days after the Event of Casualty. If less than one (1) year remains on the then current Lease Term and more than ninety (90) days after the Event of Casualty would be required (with normal work crews and normal work hours) to repair and restore the Premises or the Building, then either party may elect to terminate this Lease by giving written notice to the other of such termination within sixty (60) days after the Event of Casualty. In addition, if more than one hundred and eighty (180) days after the Event of Casualty would be required (with normal work crews and normal work hours) to repair and restore the Premises or the Building, and if as a result of the same the Premises are rendered untenantable for the Permitted Use, then Tenant may elect to terminate this Lease by giving Landlord written notice of such termination within sixty (60) days after the Event of Casualty. If either party elects to terminate this Lease as set forth above, then the Lease Term shall expire thirty (30) days after the date such written notice is given, Base Rent and Additional Rent shall be equitably abated in accordance with Section 18.3 below, and Tenant shall thereafter vacate the Premises and surrender the same to Landlord in accordance with the terms, covenants and conditions of this Lease.

18.2 In the event this Lease is not terminated pursuant to the terms of Section 18.1 above and is otherwise in full force and effect, and sufficient casualty insurance proceeds are available for application to such repair and restoration, Landlord shall proceed diligently to repair and restore the Premises or the Building, as the case may be (including Landlord's Work, if any) to substantially the same condition in which it was immediately prior to the Event of Casualty, subject to Legal Requirements. Landlord shall not be obligated to repair or restore (A) any Tenant's Work or Alterations to the Premises in excess of Landlord's Work, even if such work was performed by Landlord's contractors (and regardless of whether or not Tenant is required to remove or leave the same on the Premises at the expiration or earlier termination of this Lease), or (B) any of Tenant's Property, unless Tenant, in a manner satisfactory to Landlord, assures payment in full of all costs as may be incurred by Landlord in connection therewith.

18.3 When Landlord's repair and restoration work has been completed, Tenant shall complete the restoration of (A) all of Tenant's Work and Alterations and (B) all of Tenant's Property which are necessary to permit Tenant's re-occupancy of the Premises. Landlord shall not be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting in any way from such damage or the repair thereof, except that Base Rent and Additional Rent shall be equitably abated from the date of the damage or destruction until the Premises has been substantially restored for any portion of the Premises that is unusable by Tenant. Notwithstanding the foregoing, if such casualty was due to the willful misconduct of Tenant or Tenant's Agents, such abatement or reduction shall be made only if and to the extent of any proceeds of rental interruption insurance actually received by Landlord and reasonably allocated to the Premises.

19. EMINENT DOMAIN . If the whole or a material portion of the Premises shall be taken or condemned by a governmental or quasi-governmental authority for any public or quasi-public use or purpose (including sale under threat of such a taking), or if the owner elects to convey title to the condemnor by a deed in lieu of condemnation, or if all or any portion of the Property are so taken, condemned or conveyed and as a result thereof, in Landlord's reasonable judgment, the Premises cannot be used for Tenant's Permitted Use as set forth herein, then this Lease shall cease and terminate as of the date when title vests in such governmental or quasi-governmental authority and Base Rent and Additional Rent shall be abated on the date when such title vests in such governmental or quasi-governmental authority. If less than a material portion of the Premises shall be taken or condemned by a governmental or quasi-governmental authority for any public or quasi-public use or purpose (including sale under threat of such a taking), Base Rent and Additional Rent shall be equitably abated on the date when such title vests in such governmental or quasi-governmental authority and this Lease shall otherwise continue in full force and effect. In any case, Tenant shall have no claim against Landlord for any portion of the amount that may be awarded as damages as a result of any governmental or quasi-governmental taking or condemnation (or sale under threat or such taking or condemnation); and all rights of Tenant to damages therefor are hereby assigned by Tenant to Landlord. The foregoing shall not, however, deprive Tenant of any separate award for moving expenses, dislocation damages or for any other award which would not reduce the award payable to Landlord. As used herein, "material portion of the Premises" shall mean such amount that, in Landlord's or Tenant's reasonable judgment, would render the Premises untenantable for the normal conduct of Tenant's business.

20. ASSIGNMENT AND SUBLETTING.

20.1 Generally . Except with respect to a Permitted Transfer (as hereinafter defined), Tenant shall not assign, sublease, transfer (including by operation of law) or encumber any interest in this Lease or allow any third party to use or occupy any portion of the Premises (individually or collectively, a **"Transfer"**) without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. Without limitation, it is agreed that Landlord's consent shall not be considered unreasonably withheld, conditioned or delayed if: (A) in Landlord's good faith opinion the proposed transferee's financial condition is not adequate for the obligations such transferee is assuming in connection with the proposed Transfer; (B) in Landlord's good faith opinion the transferee's business or reputation is not suitable for the Property considering the business and reputation of the other tenants and the Property's profile, or the proposed transfer would result in a violation of another tenant's rights under its lease at the Property; (C) the transferee is a governmental or quasi-governmental entity, agency, department or instrumentality; (D) provided that Landlord has comparable space available, the transferee is an occupant of the Property; (E) there is then occurring an Event of Default (or there is then occurring an event for which Landlord has given Tenant written notice, or for which Landlord gives Tenant written notice during the Review Period (as defined below), that, with passage of time, would constitute an Event of Default) under this Lease; (F) any portion of the Property (including the Premises) would likely become subject to additional or different Legal Requirements as a consequence of the proposed Transfer; (G) Landlord or its

agent have discussed with the proposed transferee or its agent its need for space at the Property within six (6) months prior to Tenant's delivery of written notice of the proposed Transfer to Landlord; (H) [intentionally deleted]; (I) the Transfer is not approved of by any Superior Lessor (as hereinafter defined) or Superior Mortgagee (as hereinafter defined) which as such approval rights; (J) the transferee refuses to sign a subordination and attornment agreement in favor of any Superior Lessor or Superior Mortgagee; (K) any guarantor of this Lease refuses to consent to the proposed transfer or to execute a written agreement reaffirming the guaranty; (L) in Landlord's good faith opinion, a proposed transferee's business will impose a burden on the Common Areas or other facilities serving the Building or the Property that is materially greater than the burden imposed by Tenant; (M) Landlord has sued or been sued by the proposed transferee or has otherwise been involved in a legal dispute with the proposed transferee; or (N) the proposed Transfer will result in there being more than two (2) occupants in the Premises. Any attempted Transfer in violation of Section 20 shall, in Landlord's sole and absolute discretion, be void. Consent by Landlord to one or more Transfers shall not operate as a waiver of Landlord's rights to approve any subsequent Transfers. If Landlord withholds its consent to any Transfer contrary to the provisions of Section 20 , Tenant's sole remedy shall be to seek an injunction in equity to compel performance by Landlord to give its consent and Tenant expressly waives any right to damages in the event of such withholding by Landlord of its consent. In no event shall any Transfer (including any Permitted Transfer) release or relieve Tenant from any obligation under this Lease or any liability hereunder, and Tenant shall be and remain fully and primarily liable for the obligations of Tenant hereunder, and Tenant shall be deemed to have waived all suretyship defenses.

20.2 Consent Process . Except with respect to a Permitted Transfer, if Tenant requests Landlord's consent to a Transfer, Tenant shall submit to Landlord (A) financial statements for the proposed transferee; (B) a copy of the proposed assignment or sublease; and (C) such other information as Landlord may reasonably request. After Landlord's receipt of the required information and documentation, Landlord shall do one of the following within thirty (30) days after receipt of the Transfer request (the **"Review Period"**): (1) notify Tenant in writing of its decision to consent or withhold consent to the Transfer; (2) in the event of a proposed assignment of this Lease, terminate this Lease effective the later to occur of thirty (30) days following written notice of such termination or the date that the proposed Transfer would have come into effect; or (3) in the event of a proposed subletting of all or any portion of the Premises for a term expiring in the last three (3) months of the Term, terminate this Lease or such portion, as the case may be, effective the later to occur of thirty (30) days following written notice of such termination or the date that the proposed Transfer would have come into effect (and in the event of termination for a portion, the Rent and the Security Deposit shall be appropriately reduced). In addition, Tenant shall reimburse Landlord for its reasonable and actual out-of-pocket costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by Landlord in connection with Landlord's review of such proposed Transfer.

20.3 Right to Share Profits.

(A) Except with respect to a Permitted Transfer, if Landlord consents to the subletting of all or any part of the Premises, Landlord shall have the option (but shall not be obligated) to require Tenant to pay to Landlord, as Additional Rent, fifty percent (50%) of any Net Profits (as hereinafter defined) in connection with the subletting. **"Profits"** on a subletting

shall mean the difference between (1) the amounts paid as rent and additional rent by the subtenant to Tenant in and for each month of the sublease term and (2) Base Rent and Additional Rent due and payable by Tenant to Landlord in and for each month of the sublease term, in each and every month when the former exceeds the latter; *provided, however,* that if a sublease involves less than the entire Premises, the amounts paid by Tenant to Landlord used in subpart (2) above shall be prorated each month to reflect the portion of the Premises being sublet. " **Net Profits** " on a subletting shall mean monthly Profits reduced by an amount equal to the quotient found by taking the total reasonable and customary attorneys' fees, real estate brokerage commissions and alteration expenses (if any) and the value of concessions such as work allowances (if any), paid and incurred by Tenant in connection with the subletting, and dividing by the number of months in the sublease term.

(B) Except with respect to a Permitted Transfer, if Landlord consents to the assignment of this Lease, Landlord shall have the option (but shall not be obligated) to require Tenant to pay to Landlord, as Additional Rent, fifty percent (50%) of any Net Consideration (as hereinafter defined) in connection with the assignment. **"Consideration"** for an assignment shall mean any sums paid to Tenant in consideration of the assignment (other than the amount of rent and additional rent assumed by the assignee). **"Net Consideration"** for an assignment shall mean Consideration reduced by an amount equal to the total reasonable and customary attorneys' fees, real estate brokerage commissions and alteration expenses (if any) and the value of concessions such as work allowances (if any), paid and incurred by Tenant in connection with the assignment.

(C) Landlord shall have the right at any reasonable time, and from time to time, upon reasonable prior notice to Tenant to audit and inspect Tenant's books, records, accounts and federal income tax returns to verify the determination of Additional Rent payable under Section 20.3 .

20.4 Certain Transfers.

(A) Except with respect to a Permitted Transfer, if at any time Tenant's interest in this Lease is held by a corporation, trust, partnership, limited liability company or other entity, the transfer of a controlling interest of the voting stock, beneficial interests, partnership interests, membership interests or other ownership interests therein (whether at one time or in the aggregate) shall be deemed an assignment of this Lease, and shall require Landlord's prior written consent as provided herein. For the purposes of the prior sentence, a "controlling interest" shall mean any transfer that results in the change (whether at one time or in the aggregate) in the effective control over the management of such entity. The foregoing provisions relating to a transfer in the controlling interest shall not be applicable if Tenant is a corporation and (1) its outstanding voting stock is listed on a recognized security exchange, or (2) at least eighty percent (80%) of its voting stock is owned by another corporation, the voting stock of which is so listed. Notwithstanding anything to the contrary contained herein, an initial public offering of Tenant's stock on a recognized security exchange shall not be considered a transfer under Section 20.4(A) requiring Landlord's consent.

(B) To enable Landlord to determine the ownership of Tenant, Tenant agrees to furnish to Landlord, from time to time promptly after Landlord's request therefor, (1) if the last two sentences of Section 20.4(A) are applicable, proof of listing on a recognized security exchange, or (2) if the last two sentences of Section 20.4(A) are not applicable, an accurate and complete listing of the holders of its stock, beneficial interests, partnership interests, membership interests or other ownership interests therein as of such request and as of the date of this Lease. Landlord shall use reasonable efforts to keep confidential any information received by Landlord pursuant to this Section; *provided, however,* that Landlord shall have the right to disclose any such information to any Superior Lessor, Superior Mortgagee, prospective Superior Lessor, prospective mortgagee, or prospective purchaser subject to similar confidentiality requirements.

(C) Notwithstanding any other provision of Section 20 to the contrary, Tenant may assign its interest in this Lease or sublet the Premises (1) to any entity controlling, controlled by, or under common control with Tenant, or (2) to any successor to Tenant by purchase, merger, consolidation or reorganization or sale of all of Tenant's assets or a controlling interest in Tenant (each a **"Permitted Transfer"**) without the consent of Landlord; *provided, however,* that (a) there is not then occurring an Event of Default (or there is then occurring an event for which Landlord has given Tenant written notice, or for which Landlord gives Tenant written notice during the Review Period, that, with passage of time, would constitute an Event of Default) under this Lease; (b) if the proposed transferee is a successor to Tenant by purchase, said proposed transferee shall acquire all or substantially all of the stock or assets of Tenant's business or a controlling interest in Tenant, if the proposed transferee is a successor to Tenant by merger, consolidation or reorganization, the continuing or surviving entity shall own all or substantially all of the assets of Tenant's business; (c) such proposed transferee shall have a Net Worth (as hereinafter defined) which is sufficient, in Landlord's commercially reasonable opinion, to enable the proposed transferee to satisfy the obligations of Tenant under this Lease, as evidenced to Landlord's reasonable satisfaction; (d) Tenant shall not be released from any obligation under this Lease or any liability hereunder; and (e) Tenant shall give Landlord written notice at least twenty (20) days prior to the effective date of the proposed transfer. As used herein, **"Net Worth"** shall be the tangible net worth of Tenant (excluding any guarantors) established under generally accepted accounting principles consistently applied.

(D) In addition to the foregoing, it shall be a condition of the validity of any such Transfer (or Permitted Transfer) that the proposed transferee agrees directly with Landlord, in form satisfactory to Landlord, to be bound by all the obligations of Tenant hereunder, including, without limitation, the obligation to pay Rent and other amounts provided for under this Lease, the covenant regarding use and the covenant against further assignment and subletting.

(E) If the Premises or any part thereof are sublet by Tenant, following the occurrence of an Event of Default, Landlord, in addition to any other remedies provided hereunder or at law, may at its option collect directly from such subtenant(s) all rents becoming due to Tenant under such sublease(s) and apply such rent against any amounts due Landlord by Tenant under this Lease, and Tenant hereby irrevocably authorizes and directs such subtenant(s) to so make all such rent payments, if so directed by Landlord; and it is understood that no such election or collection or payment shall be construed to constitute a novation of this Lease or a release of Tenant hereunder, or to create any lease or occupancy agreement between Landlord and such subtenant or impose any obligations on Landlord, or otherwise constitute the recognition of such sublease by Landlord for any purpose whatsoever.

21. EVENTS OF DEFAULT . Any other provisions of this Lease notwithstanding, it shall be a Tenant event of default **("Event of Default")** under this Lease if: (A) Tenant fails to pay any Base Rent, Additional Rent, or other item of Rent when due and payable hereunder provided, however, that Tenant shall be entitled to a grace period of five (5) days after written notice from Landlord with respect to the first two late payments in any calendar year; (B) Tenant fails to perform or observe any other covenant, condition or agreement of this Lease and such failure continues, after written notice given by or on behalf of Landlord to Tenant, for more than thirty (30) days; *provided, however,* that (i) if the applicable covenant, condition or agreement of this Lease provides for a shorter notice and cure period, the shorter notice and cure period shall apply and (ii) if such default is of a nature that it cannot be cured within 30 days, Tenant shall have such additional time as is reasonably necessary to so cure as long as Tenant promptly commences and diligently pursues such cure; (C) the leasehold interest of Tenant is levied upon or attached under process of law; (D) Tenant or any guarantor of this Lease dies or dissolves; (E) [intentionally deleted]; (F) any voluntary or involuntary proceedings are filed by or against Tenant or any guarantor of this Lease under any bankruptcy, insolvency or similar laws and, in the case of any involuntary proceedings, are not dismissed within ninety (90) days after filing; (G) Tenant-shall admit in writing its inability to pay its debts as they become due, or shall make an assignment of Tenant's lease obligations for the benefit of or enter into an agreement with its creditors; (H) Landlord shall determine that any financial or other information provided to Landlord by or on behalf of Tenant or any guarantor of this Lease shall be or have been materially false or misleading; (I) Tenant conducts or permits to be conducted, either voluntarily or involuntarily, any public auction in or upon the Premises or the Property; or (J) there is committed by Tenant any other act or omission which is stated in this Lease to be an Event of Default. The notice and cure period provision in clauses (A) and (B) above shall have no application to the Events of Default referred to in clauses (C) through (J) above.

22. LANDLORD'S REMEDIES.

22.1 Upon the occurrence of any Event of Default, Landlord shall have the following rights and remedies, in addition to those allowed by law or in equity, any one or more of which may be exercised without further notice to or demand upon Tenant and which may be pursued successively or cumulatively as Landlord may elect:

(A) Landlord may, but shall not be obligated to, re-enter the Premises and attempt to cure any default of Tenant, in which event Tenant shall, upon demand, reimburse Landlord as Additional Rent for all reasonable costs and expenses which Landlord incurs to cure such default;

(B) Landlord may terminate this Lease by giving to Tenant written notice of Landlord's election to do so, in which event the Lease Term shall end, and all right, title and interest of Tenant hereunder shall terminate on the date stated in such notice; and

(C) Landlord may enforce the provisions of this Lease by a suit or suits at law or in equity for the specific performance of any covenant or agreement contained herein, or for the enforcement of any other appropriate legal or equitable remedy, including recovery of all monies due or to become due from Tenant under any of the provisions of this Lease.

22.2 LANDLORD SHALL NOT BE REQUIRED TO SERVE TENANT WITH ANY NOTICES OR DEMANDS AS A PREREQUISITE TO ITS EXERCISE OF ANY OF ITS RIGHTS OR REMEDIES UNDER THIS LEASE, OTHER THAN THOSE NOTICES AND DEMANDS SPECIFICALLY REQUIRED UNDER THIS LEASE. LANDLORD'S NOTICE OF ANY EVENT OF DEFAULT MAY SERVE AS ANY STATUTORY DEMAND OR NOTICE WHICH IS A PREREQUISITE TO LANDLORD'S COMMENCEMENT OF EVICTION PROCEEDINGS AGAINST TENANT, INCLUDING THE DEMANDS AND NOTICES SPECIFIED IN ANY APPLICABLE STATUTE OR CASE LAW, AND NO FURTHER NOTICE SHALL BE REQUIRED. TENANT AGREES THAT IT SHALL NOT INTERPOSE ANY COUNTERCLAIM (OTHER THAN MANDATORY COUNTERCLAIMS) AND WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY LAWSUIT BROUGHT BY LANDLORD TO RECOVER POSSESSION OF THE PREMISES FOLLOWING LANDLORD'S TERMINATION OF THIS LEASE OR THE RIGHT OF TENANT TO POSSESSION OF THE PREMISES PURSUANT TO THE TERMS, COVENANTS AND CONDITIONS OF THIS LEASE AND ON ANY CLAIM FOR DELINQUENT RENT WHICH LANDLORD MAY JOIN IN ITS LAWSUIT TO RECOVER POSSESSION.

22.3 If Landlord terminates this Lease, Tenant shall surrender possession and vacate the Premises and immediately deliver possession thereof to Landlord, and Landlord may re-enter and take complete and peaceful possession of the Premises, with process of any applicable law, and Landlord may remove all occupants and property therefrom, using such force as may be necessary to the extent allowed by law, without being deemed guilty in any manner of trespass, eviction or forcible entry and detainer and without relinquishing Landlord's right to Rent or any other right given to Landlord hereunder or by operation of law.

22.4 If Landlord terminates this Lease, such termination shall not release Tenant, in whole or in part, from Tenant's obligation to pay Rent hereunder for the full Lease Term, and Landlord shall be entitled to recover from Tenant all Rent accruing as it becomes due under this Lease during the period from the date of such termination to the stated end of the Lease Term on the days originally fixed herein for the payment thereof as if this Lease had not been terminated.

22.5 If Landlord terminates this Lease, Landlord shall be entitled to recover from Tenant all Rent accrued and unpaid for the period up to and including such termination date, as well as all other additional sums payable by Tenant, or for which Tenant is liable or for which Tenant has agreed to indemnify Landlord, which may be then owing and unpaid, and all reasonable costs and expenses, including court costs and reasonable attorneys' fees incurred by Landlord in the enforcement of its rights and remedies hereunder. In addition, Landlord shall be entitled to recover from Tenant, for loss of the bargain and not as a penalty, in lieu of continuing to collect rent as it comes due under Section 22.4 above from and after the date of such election, (A) the unamortized portion of any concessions offered by Landlord to Tenant in connection with this Lease, including, without limitation, (1) the cost of Landlord's Work and Landlord's contribution to the cost of Tenant's Work and Alterations, if any (whether installed by Landlord or Tenant) and (2) deferred or abated rent; (B) the aggregate sum which at the time of such termination represents the excess, if any, of the present value of the aggregate Rent which would have been payable after the termination date had this Lease not been terminated, including, without limitation, the amount projected by Landlord to represent Additional Rent for the remainder of the Lease Term, over the then present value of the then aggregate fair market rental

of the Premises for the remainder of the Lease Term, such present value to be computed in each case on the basis of a ten percent (10%) per annum discount from the respective dates upon which such Rent would have been payable hereunder had this Lease not been terminated; and (C) any damages in addition thereto, including without limitation reasonable attorneys' fees and court costs, which Landlord sustains as a result of the breach of any of the covenants of this Lease other than for the payment of Rent.

22.6 In lieu of any other remedy under this Section, and in lieu of a full recovery by Landlord of all sums payable under the other provisions of this Section, Landlord may, by written notice to Tenant, at any time after termination of this Lease or repossession of the Premises, elect to recover, and Tenant shall thereupon pay, Liquidated Damages. **"Liquidated Damages"** shall be equal to (A) the aggregate of Base Rent and Additional Rent accrued in the twelve (12) months ended next prior to such termination or repossession (but not more than Base Rent and Additional Rent due for the then remainder of the Lease Term); plus (B) the amount of Rent of any kind and the unamortized portion of any concessions offered by Landlord to Tenant in connection with this Lease, including, without limitation, (1) the cost of Landlord's Work and Landlord's contribution to the cost of Tenant's Work and Alterations, if any (whether installed by Landlord or Tenant) and (2) deferred or abated rent. Nothing contained in this Lease shall, however, limit or prejudice the right of Landlord to prove for and obtain in proceedings for bankruptcy or insolvency by reason of the termination of this Lease, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, the damages are to be proved, whether or not the amount be greater, equal to, or less than the amount of the loss or damages referred to above.

22.7 Landlord shall have no obligation to mitigate any damages resulting from an Event of Default by Tenant under this Lease other than to list the Premises as available for rent; *provided, however,* that (A) Landlord shall not be obligated to solicit or entertain negotiations with a replacement tenant for the Premises unless and until Landlord obtains full and complete possession of the Premises, including, without limitation, the final and unappealable legal right to relet the Premises free of any claim of Tenant; (B) Landlord shall not be obligated to lease or show the Premises, on a priority basis, or offer the Premises to a prospective tenant when other premises at the Property suitable for the replacement tenant's use are (or soon will be) available; (C) Landlord shall not be obligated to lease the Premises to a replacement tenant at a rate that is less than the rate that Landlord is advertising space at the Property (on a per rentable square foot basis); (D) Landlord shall not be obligated to enter into a lease with a replacement tenant under terms, covenants and conditions that are unacceptable to Landlord, including, without limitation, a replacement tenant whose use would: (1) violate any restriction, covenant, or requirement contained in the lease of another tenant of the Property, (2) adversely affect, in Landlord's good faith opinion, the reputation of the Property, or (3) be incompatible, in Landlord's good faith opinion, with the operation of the Property; and (E) Landlord shall not be obligated to enter into a lease with a replacement tenant who does not have, in Landlord's good faith opinion, sufficient financial resources to operate the Premises in a first class manner and to fulfill all of the obligations in connection with the lease thereof as and when the same become due.

22.8 In attempting to relet the Premises, Landlord may redecorate the Premises, or may make any repairs, alterations or additions thereto, to the extent deemed reasonably necessary or desirable by Landlord, and Tenant upon demand shall pay the reasonable cost of all of the

foregoing together with Landlord's reasonable expenses of reletting, including, without limitation, brokerage commissions and reasonable attorneys' fees. The rents from any such reletting shall be applied first to the payment of the expenses of reletting, and second to the payment of Rent herein provided to be paid by Tenant. Any excess or residue shall operate only as an offsetting credit against the amount of Rent due and owing as the same thereafter becomes due and payable hereunder.

22.9 The receipt by Landlord of less than the full Rent due shall not be construed to be other than a payment on account of Rent then due, nor shall any statement on Tenant's check or any letter accompanying Tenant's check be deemed an accord and satisfaction, and Landlord may accept such payment without prejudice to Landlord's right to recover the balance of the Rent due or to pursue any other remedies provided in this Lease. The acceptance by Landlord of Rent hereunder shall not be construed to be a waiver of any breach by Tenant of any term, covenant or condition of this Lease. No delay or forbearance by Landlord in exercising any right or remedy hereunder or in undertaking or performing any act or matter which is not expressly required to be undertaken by Landlord shall be construed, respectively, to be a waiver of Landlord's rights or to represent any agreement by Landlord to undertake or perform such act or matter thereafter. No act or omission by Landlord or its employees or agents during the Lease Term shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept such a surrender of the Premises shall be valid unless in writing and signed by Landlord. Landlord hereby waives its right to recover punitive, special or consequential damages, or to recover any lost profits in connection with this Lease or resulting from or arising out of any act or omission by Tenant (or any party for whom Tenant is responsible) except as expressly set forth in Section 36 hereof.

23. LANDLORD'S DEFAULT . Landlord shall in no event be in default in the performance of any of Landlord's obligations hereunder unless and until Landlord fails to perform or observe any obligation of this Lease and such failure continues, after written notice given by or on behalf of Tenant to Landlord, for more than thirty (30) days (or such longer period as may be necessary to cure such default, provided that Landlord commences such cure within the thirty (30) day period and thereafter diligently pursues the same to completion). It is the express understanding and agreement of the parties, and a condition of Landlord's agreement to execute this Lease, that, except as may be otherwise expressly set forth herein, in no event shall Tenant have the right to terminate this Lease or seek an abatement to or offset from Rent as a result of Landlord's default, but Tenant shall be entitled to seek all other remedies, at law or in equity, as a result of such default. Tenant hereby waives its right to recover punitive, special or consequential damages, or to recover any lost profits resulting from or arising out of any act or omission by Landlord (or any party for whom Landlord is responsible). This Lease and the obligations of Tenant hereunder shall not be affected or impaired because Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so.

24. FORCE MAJEURE . The term **"Force Majeure"** shall mean acts of God, shortages of labor or materials, strikes, riots, war, acts of terrorism, governmental laws, regulations or restrictions, or any other cause whatsoever beyond the reasonable control of Landlord or Tenant, as the case may be. Notwithstanding anything to the contrary contained herein, whenever a period of time is herein prescribed for the taking of any action by Landlord or Tenant, Landlord or Tenant, as the case may be, shall not be liable or responsible for, and there shall be excluded from the computation of such period of time, any delays due to events of Force Majeure. The provisions of this Section shall not be applicable to the payment of Rent or any other sum of money, and in no event shall financial inability be deemed Force Majeure.

25. COSTS AND EXPENSES . In the event of any litigation between Landlord and Tenant to enforce or interpret any provision of this Lease or to enforce any right of either party hereto, the unsuccessful party to such litigation shall pay to the successful party all costs and expenses incurred in connection therewith, including reasonable attorneys' fees, through all appeals and in any bankruptcy proceedings.

26. NO WAIVER . Failure of either party to declare any default immediately upon its occurrence, or delay in taking any action in connection with an Event of Default, shall not constitute a waiver of such default, nor shall it constitute an estoppel against the non-defaulting party, but the non-defaulting party shall have the right to declare the default at any time and take such action as is lawful or authorized under this Lease. Failure by the non-defaulting party to enforce its rights with respect to any one default shall not constitute a waiver of its rights with respect to any subsequent default.

27. QUIET ENJOYMENT . Tenant, upon the payment of Rent and the observing, keeping and performing all of the terms, covenants and conditions of this Lease on Tenant's part to be observed, kept and performed, shall lawfully, peaceably and quietly have, hold, occupy and enjoy the Premises during the Lease Term, without hindrance or ejection by any persons lawfully claiming under Landlord to have title to the Premises superior to that of Tenant, subject, however, to the rights of Superior Lessors and Superior Mortgagees, and subject to the terms, covenants and conditions of this Lease. The foregoing covenant of quiet enjoyment is in lieu of any other covenant, expressed or implied.

28. INTENTIONALLY OMITTED .

29. PARKING . Pursuant to all terms, covenants and conditions of this Lease, Tenant shall have a license to use, throughout the term of this Lease, at no additional charge to Tenant, up to 3.3 parking spaces per 1,000 rentable square feet of the Premises leased hereunder, which is currently twenty-three (23) parking spaces (the **"Parking Spaces"**), which shall be located in the surface parking area adjacent to the Building (the **"Parking Area"**). All Parking Spaces shall be provided on a non-reserved, first-come, first-served basis. Landlord reserves the right to rearrange the configuration of any Parking Spaces, assign particular Parking Spaces to other tenants of the Building/Property, and otherwise change or alter the Parking Area in any manner whatsoever, so long as Tenant is not permanently deprived of the use of twenty-three (23) Parking Spaces. Landlord does not assume any responsibility for, and shall not be liable for, any damage, loss or theft (of any nature whatsoever) to or of any automobiles or other vehicles, or any contents or other personal property located therein, while in or about the Parking Area.

30. FINANCIAL STATEMENTS . Tenant acknowledges that the capability of Tenant to perform its financial obligations under this Lease is material to Landlord, and that Landlord would not enter into this Lease but for its belief, based on its review of Tenant's financial statements, that Tenant is capable of performing such financial obligations. If at any time Tenant's financial statements are not publicly available, then, within fifteen (15) days after

written request given by or on behalf of Landlord (which request shall not be made more than once in any calendar year provided Tenant is not in default under the Lease, or except in the event of a proposed capital transaction (i.e., a sale or refinancing of the Building or a capital investment in the Landlord entity)), Tenant shall furnish Landlord with current financial statements (audited, if available, or otherwise certified as being true and correct by Tenant) reflecting Tenant's current financial condition.

31. TENANT ESTOPPEL CERTIFICATES .

31.1 Upon request, and within ten (10) Business Days after written notice given by or on behalf of Landlord, Tenant shall furnish Landlord with a tenant estoppel certificate signed by Tenant certifying as to such matters relating to the then current status of this Lease as may be reasonably requested by Landlord (or any Superior Lessor, Superior Mortgagee, prospective lessor, prospective mortgagee, prospective purchaser or other party), including, without limitation:

(A) The Phase I Commencement Date, the Phase II Commencement Date and Expiration Date of this Lease;

(B) That this Lease is unmodified and in full force and effect or, if there has been a modification, that the same is in full force and effect, as modified, and stating such modification;

(C) Whether or not there are any existing setoffs or defenses against the enforcement of any of the terms, covenants and conditions of this Lease and whether there are any obligations of Landlord or Tenant to be performed or complied with and, if so, specifying the same;

(D) The date to which Base Rent, Additional Rent and all other charges have been paid; and

(E) Any other matters reasonably requested.

31.2 Any statement furnished pursuant to this Section may be relied upon by Landlord (or any Superior Lessor, Superior Mortgagee, prospective lessor, prospective mortgagee, prospective purchaser or other party). In addition to any other right or remedy Landlord may have, if Tenant fails to execute any tenant estoppel certificate within the time-frame required by this Section, then such failure shall constitute an Event of Default for which there shall be no notice and cure period.

32. SUBORDINATION .

32.1 At the option of Landlord, this Lease, and all rights of Tenant hereunder, are and shall be subject and subordinate to all ground leases, overriding leases and underlying leases, now or hereafter affecting the Building or the Property, and each of the terms, covenants and conditions thereto (the **"Superior Leases"**), and to all mortgages and deeds of trust, now or hereafter affecting the Building or the Property or the Superior Leases, and each of the terms, covenants and conditions thereto (the **"Superior Mortgages"**), whether or not such Superior

Mortgages shall also cover other land, buildings or leases, to each and every advance made or hereafter to be made under such Superior Mortgages, and to all renewals, modifications, replacements and extensions of such Superior Leases and Superior Mortgages. This Section shall be self-operative and no further instrument of subordination shall be required.

32.2 Upon request, and within ten (10) days after written notice given by or on behalf of Landlord, Tenant shall execute, acknowledge and deliver to Landlord any reasonable instrument of subordination that Landlord (or any Superior Lessor, Superior Mortgagee, prospective lessor, prospective mortgagee, prospective purchaser or other party) may reasonably request. In addition to any other right or remedy Landlord may have, if Tenant fails to execute any instrument of subordination within the time-frame required by this Section, then such failure shall constitute an Event of Default for which there shall be no notice and cure period. As used herein, **"Superior Lessor"** shall mean the lessor of a Superior Lease or its successor in interest. As used herein, **"Super Mortgagee"** shall mean the holder of a Superior Mortgage or its successor in interest.

32.3 If any Superior Lessor or Superior Mortgagee shall succeed to the rights of Landlord under this Lease, whether through possession or foreclosure action or delivery of a new lease or deed (such party so succeeding to Landlord's rights herein called the **"Successor Landlord"**), then Tenant shall attorn to and recognize such Successor Landlord as Tenant's landlord under this Lease (without the need for further agreement) and shall promptly execute and deliver any reasonable instrument that such Successor Landlord may reasonably request to evidence such attornment. If any Superior Lessor or Superior Mortgagee shall succeed to the rights of Landlord under this Lease, then this Lease shall continue in full force and effect as a direct lease between the Successor Landlord and Tenant upon all of the terms, covenants and conditions as are set forth in this Lease, except that the Successor Landlord shall not (A) be liable for any previous act or omission of Landlord under this Lease, except to the extent such act or omission shall constitute a continuing Landlord default hereunder; (B) be subject to any offset, not expressly provided for in this Lease; or (C) be bound by any previous modification of this Lease or by any previous prepayment of more than one month's Base Rent, unless such modification or prepayment shall have been expressly approved in writing by the Successor Landlord (or predecessor in interest).

33. BROKERS . Except for the Broker(s) listed in Section 1.4 of this Lease, each party represents and warrants to the other that they have not made any agreement or taken any action which may cause anyone to become entitled to a commission as a result of the transactions contemplated by this Lease, and each will indemnify and defend the other from any and all claims, actual or threatened, for compensation by any such third person by reason of such party's breach of its representation or warranty contained in this Lease. Landlord will pay any commission due to the Broker(s) hereunder pursuant to its separate agreement with the Broker(s) hereunder subject to execution and delivery of this Lease by Landlord and Tenant.

34. NOTICES . All notices or other communications hereunder shall be in writing and shall be deemed to have been given (A) if delivered by hand, by messenger or by an express delivery service (FedEx, UPS, etc.), then if and when delivered (or if delivery is refused, when refused) to the respective parties at the below addresses (or at such other address as a party may hereafter designate for itself by notice to the other party as required hereby), or (B) if mailed, then on the

third Business Day following the date on which such communication is deposited in the United States mails, by first class registered or certified mail, return receipt requested, postage prepaid, and addressed to the respective parties at the below addresses (or at such other address as a party may hereafter designate for itself by notice to the other party as required hereby). Notice by counsel to a party shall be deemed notice from such party.

34.1 If to Landlord :

WLC THREE VI, L.L.C.
c/o Griffith Properties LLC
260 Franklin Street, 5th Floor
Boston, MA 02110
Attention: Marci G. Loeber

With copies to:

WLC THREE VI, L.L.C.
c/o Walton Street Capital LLC
900 North Michigan Avenue, Suite 1900
Chicago, IL 60611
Attention: Howard J. Brody

WLC THREE VI, L.L.C.
c/o Walton Street Capital LLC
900 North Michigan Avenue, Suite 1900
Chicago, IL 60611
Attention: Douglas J. Welker

WLC THREE VI, L.L.C.
c/o Walton Street Capital LLC
900 North Michigan Avenue, Suite 1900
Chicago, IL 60611
Attention: Angela R. Lang

34.2 If to Tenant:

And before the Phase I Commencement Date, then to:

The Premises
Attention: Stephen Tulipano, CFO

And on or after the Phase I Commencement Date, then to:

The Premises
Attention: Stephen Tulipano, CFO

With a copy to:

Sym Real Estate Law LLC
442 Marrett Road, Suite 5
Lexington, MA 02421
Attention: John A. Sym, Esq.

34.3 Payments of Rent : Payments of Rent only shall be made payable to the order of WLC THREE VI, L.L.C. and submitted to:

WLC THREE VI, L.L.C.
P.O. Box 418955
Boston, MA 02241-8947

35. SURRENDER OF PREMISES .

35.1 Upon the expiration or earlier termination of this Lease, Tenant shall promptly surrender possession of the Premises to Landlord in good order and condition and in conformity with the applicable provisions of this Lease, excepting only reasonable wear and tear, casualty and condemnation. Tenant shall surrender to Landlord all keys, key cards, security and access codes to the Premises and make known to Landlord the combination of all combination locks which Tenant is required to leave on the Premises. For purposes of this Lease, the phrase "reasonable wear and tear" constitutes that normal, gradual deterioration which occurs due to aging and ordinary use of the Premises despite reasonable and timely maintenance and repair, but in no event shall the aforementioned phrase excuse Tenant from its duty to keep the Premises in good order and condition and otherwise usable, serviceable and tenantable as required by this Lease.

35.2 Upon the expiration or earlier termination of this Lease, Tenant shall, at its sole cost and expense, remove (A) all of Tenant's Work and Alterations that Tenant is required to remove pursuant to Section 10.2 of this Lease and (B) all of Tenant's Property. Tenant shall not remove Landlord's Work (if any). Tenant shall, at its sole cost and expense, repair any damage caused by the removal of Tenant's Work, Alterations and Tenant's Property. If Tenant fails to remove any of the foregoing items or to perform any required repairs and restoration, such failure shall be deemed a holding over by Tenant under Section 36 hereof, and Landlord may (without liability to Tenant for loss thereof), at Tenant's sole cost and expense and in addition to Landlord's other rights and remedies under this Lease, at law or in equity: (1) remove and store such items; and/or (2) upon ten (10) days prior written notice to Tenant, sell such items at private or public sale for such price as Landlord at its discretion may obtain. Landlord shall apply the proceeds of any such sale to any amounts due to Landlord under this Lease from Tenant (including Landlord's reasonable attorneys' fees and other costs incurred in the removal, storage and/or sale of such items and performance of any required repairs and restoration), with any remainder to be paid to Tenant.

36. HOLDING OVER . If, after the expiration or earlier termination of this Lease, Tenant fails to surrender the Premises (or any portion of the Premises) in accordance with the provisions of this Lease, such occupancy shall be that of a tenancy at sufferance, in which event Tenant shall pay Landlord (A) as liquidated damages for such holding over alone, an amount, calculated on a per diem basis for each day of such unlawful retention, equal to the greater of 150% for the first thirty (30) days of such holdover, and two hundred percent (200%) thereafter, of (1) the then current Annual Base Rent, or (2) the fair market rental for the Premises, for the time Tenant thus remains in possession, plus, in each case, all Additional Rent and other sums payable hereunder, and (B) all other damages, costs and expenses sustained by Landlord by reason of Tenant's holding over. Without limiting any rights and remedies of Landlord resulting by reason of the

wrongful holding over by Tenant, or creating any right in Tenant to continue in possession of the Premises, all Tenant's obligations with respect to the use, occupancy and maintenance of the Premises shall continue during such period of unlawful retention. To the maximum extent enforceable by law, Tenant covenants and agrees to exonerate, indemnify, defend, protect and save Landlord, Landlord's Agents and Landlord's Insured Parties harmless from and against any and all claims, demands, expenses, losses, suits and damages (including reasonable attorneys' fees) as may be occasioned by reason of Tenant's holding over, including, without limiting the generality of the foregoing, if Tenant holds over for more than thirty (30) days, any claims made by any succeeding tenant founded upon such failure to surrender and any lost profits to Landlord resulting therefrom. The provisions of this Section 36 shall survive the expiration or earlier termination of this Lease.

37. RIGHTS RESERVED TO LANDLORD . Landlord reserves the following rights, exercisable without notice, except as provided herein, and without liability to Tenant for damage or injury to property, person or business, and without affecting an eviction or disturbance of Tenant's use or possession or giving rise to any claim for setoff or abatement of Rent or affecting any of Tenant's obligations under this Lease except as may be expressly provided herein: (A) upon thirty (30) days' prior notice, to change the name or street address of the Building or the Property; (B) to install and maintain signs on the interior and exterior of the Building or the Property; (C) to designate and approve window coverings to present a uniform exterior appearance; (D) to retain at all times, and to use in appropriate instances, keys, key cards, security and access codes, etc. to all locks and security devices within and to the Premises; (E) to reasonably approve the size, weight, or location of heavy equipment, or articles within the Premises; (F) to change the arrangement and location of entrances of doors, doorways, passageways, corridors, stairs, stairwells, elevators, restrooms, Parking Area, and Common Areas of the Building or the Property provided that Tenant's access to the Premises, restrooms and the Parking Area shall not be materially adversely affected; (G) to reasonably regulate access to telephone, electrical and other utility closets in the Building and to require use of designated contractors for any work involving access to the same; (H) [intentionally omitted]; (I) to grant to anyone the exclusive right to conduct any business or undertaking in the Building or the Property, provided that Landlord's exercise of its rights under this clause (I), shall not be deemed to prohibit Tenant from the operation of its business in the Premises; (J) to enter the Premises to inspect the same or to show the Premises to (1) or any Superior Lessor, Superior Mortgagee, prospective lessor, prospective mortgagee, prospective purchaser or other party at any time during the Lease Term and (2) prospective tenants during the last twelve (12) months of the Lease Term, or to clean or make repairs thereto, provided that, except for any entry in an emergency situation or to provide janitorial service in accordance with Section 12.1 of this Lease, Landlord shall provide Tenant with reasonable prior notice of any entry into the Premises; and (K) upon reasonable prior notice (except in the case of accident or emergency), to temporarily shut down the air conditioning, electrical systems, heating, plumbing and/or elevators or to temporarily close the Premises, the Building or the Property by reason of accident or emergency, or to perform repairs, alterations or additions to the Premises, the Building or the Property. In exercising its rights under this Section, Landlord shall make commercially reasonable efforts to avoid unreasonably interfering with Tenant's business operations in the Premises.

38. OFAC CERTIFICATION . Tenant hereby represents, warrants, and covenants the following: (A) that the name, address and jurisdiction of organization, if any, of Tenant as set forth in this Lease and any other information provided by Tenant concerning Tenant's identity, is true and correct; (B) neither Tenant, nor any persons or entities holding more than five percent of the ownership interests in Tenant, nor any persons or entities controlled by Tenant, are or will at any time during the Lease Term be (1) conducting any business or engaging in any transaction or dealing with any person appearing on the U.S. Treasury Department's OFAC list of prohibited countries, territories, "specifically designated nationals" **("SDNs")** or "blocked person" (each a **"Prohibited Person")** (which lists can be accessed at the following web address: http://www.ustreas.gov/offices/enforcement/ofac/), including the making or receiving of any contribution of funds, goods or services to or for the benefit of any such Prohibited Person; (2) engaging in certain dealings with countries and organizations designated under Section 311 of the USA PATRIOT Act as warranting special measures due to money laundering concerns; (3) dealing in, or otherwise engaging in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224 dated September 24, 2001, relating to **"Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism;"** or (4) a foreign shell bank or any person that a financial institution would be prohibited from transacting with under the USA PATRIOT Act; or (C) engaging in or conspiring to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempting to violate, any of the prohibitions set forth in (1) any U.S. anti-money laundering law, (2) the Foreign Corrupt Practices Act, (3) the U.S. mail and wire fraud statutes, (4) the Travel Act, (5) any similar or successor statutes, or (6) any regulations promulgated under the foregoing statutes. If at any time during the Lease Term any of the foregoing representations and warranties are untrue or Tenant breaches any of the foregoing covenants, then notwithstanding anything contained in this Lease to the contrary, an Event of Default shall be deemed to have occurred, without the necessity of any notice to Tenant, and Landlord shall have the right, in addition to any other rights or remedies Landlord may have under this Lease, at law or in equity to terminate this Lease.

39. MISCELLANEOUS .

39.1 Authority . Landlord and Tenant represent and warrant to each other that it is duly formed and in good standing, and has full corporate or partnership power and authority, as the case may be, to enter into this Lease and has taken all corporate or partnership action, as the case may be, necessary to carry out the transaction contemplated herein, so that when executed, this Lease constitutes a valid and binding obligation enforceable in accordance with its terms.

39.2 Successors and Assigns . The obligations of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; *provided* that Landlord and each successive owner of the Property shall be liable only for obligations accruing during the period of its ownership or interest in the Property, and from and after the transfer by Landlord or such successive owner of its ownership or other interest in the Property, Tenant shall look solely to the successors in title for the performance of Landlord's obligations hereunder arising thereafter.

39.3 Governing Law . This Lease and the rights and obligations of the parties hereto shall be interpreted, construed, and enforced in accordance with the laws of the state in which the Property is located.

39.4 Jurisdiction; Waiver of Trial by Jury . Tenant hereby consents to the exclusive jurisdiction of the courts of the state in which the Property is located in any and all actions or proceedings arising under this Lease, and irrevocably agrees to service of process in accordance with Section 34 above. Landlord and Tenant agree to waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matter whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use of or occupancy of the Premises and/or any claim of injury or damage and any emergency or any other statutory remedy.

39.5 Limitation of Liability . The liability of Landlord and Landlord's Agents to Tenant (or any person or entity claiming by, through or under Tenant) under the terms of this Lease or any matter relating to or arising out of the occupancy or use of the Premises and/or other areas of the Property shall be limited to Tenant's actual direct, but not consequential, damages therefor and shall be recoverable only from Landlord's interest in the Building. Tenant agrees to look solely to Landlord's interest in the Building for the recovery of any judgment against Landlord or Landlord's Agents. Neither Landlord nor Landlord's Agents shall be personally liable for any such judgment, award or deficiency after execution thereon and Tenant hereby waives and releases such personal liability on behalf of itself and all persons claiming by, through or under Tenant. The limitations of liability contained in this Section 39.5 shall apply equally and inure to the benefit of the Landlord and Landlord's Agents, present and future advisors, beneficiaries, participants, representatives and their respective constituent partners, members, shareholders, trustees, heirs, successors and assigns. Under no circumstances shall any present or future general or limited partner of Landlord (if Landlord is a partnership), member of Landlord (if Landlord is a limited liability company) or trustee or beneficiary (if Landlord or any partner or member of Landlord is a trust) have any liability for the performance of Landlord's obligations under this Lease, nor shall negative capital account of any constituent partner or member in Landlord (or in a constituent member or partner of Landlord) nor any obligation of any constituent member or partner of Landlord (or in any other constituent member or partner of Landlord) to restore a negative capital account or to contribute or loan capital to Landlord (or to any constituent member or partner of Landlord), at any time be deemed to be the property or an asset of Landlord or such other constituent member or partner (and neither Tenant nor any of its successors or assigns shall have any right to collect, enforce or proceed against or with respect to any such negative capital account of such a member's or partner's obligation to restore or contribute). Notwithstanding any contrary provision herein, neither Landlord nor Landlord's Agents shall be liable for any injury or damage to, or interference with, Tenant's business, including loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, or for any form of special or consequential damage, in each case however occurring. The foregoing shall be in addition to, and not in limitation of, any further limitation of liability that might otherwise apply. Notwithstanding the foregoing, none of the provisions of this Section 39.5 shall be deemed to release any insurance carrier that insures Landlord's liability to Tenant or to third parties from any obligation to make any payment to Tenant pursuant to any such insurance policy, it being agreed that any release of Landlord for any obligation to Tenant is not intended to and does not release Landlord's insurance carrier from the obligation of paying such loss on Landlord's behalf. The provisions of this Section 39.5 shall survive the expiration or earlier termination of this Lease.

39.6 Independent Covenants ; Severability . Each covenant and agreement in this Lease shall for all purposes be construed to be a separate and independent covenant or agreement, and Tenant hereby waives the benefit of any statute or case law to the contrary. If any provision in this Lease or the application thereof shall to any extent be invalid, illegal or otherwise unenforceable, the remainder of this Lease, and the application of such provision other than as invalid, illegal or unenforceable, shall not be affected thereby; and such provisions of this Lease shall be valid and enforceable to the fullest extent permitted by law.

39.7 No Recording . Tenant agrees not to record this Lease, but each party hereto agrees, on the request of the other, to execute a so-called "notice of lease" or "memorandum of lease" in recordable form and complying with applicable law and reasonably satisfactory to Landlord's attorneys. In no event shall such document set forth the Rent or other charges payable by Tenant under this Lease; and any such document shall expressly state that it is executed pursuant to the provisions contained in this Lease and is not intended to vary the terms, covenants and conditions of this Lease.

39.8 Time of the Essence . Except as otherwise specifically provided in this Lease, with respect to all required acts of Tenant, time is of the essence of this Lease.

39.9 More Than One Tenant . If there is more than one Tenant, or if Tenant as such is comprised of more than one person or entity, the obligations hereunder imposed upon Tenant shall be joint and several obligations of all such parties. All notices, payments, and agreements given or made by, with or to any one of such persons or entities shall be deemed to have been given or made by, with or to all of them.

39.10 More Than One Lease . If there is more than one lease between Landlord and Tenant for space within the Property, a default under one lease shall be deemed to be a default under both leases.

39.11 Continuing Obligations . Notwithstanding anything to the contrary contained in this Lease, the expiration or earlier termination of this Lease, whether by lapse of time or otherwise, shall not relieve Tenant of Tenant's obligations accruing prior to the expiration or earlier termination of this Lease, and such obligations shall survive the expiration or earlier termination of this Lease. Without limiting the scope of the prior sentence, it is agreed that Tenant's obligations under Section 3 (Rent), Section 5 (Use), Section 6 (Environmental Hazards), Section 16 (Indemnification), Section 33 (Brokers), Section 35 (Surrender of Premises), Section 36 (Holding Over), and Section 38 (OFAC Certification) shall survive the expiration or earlier termination of this Lease.

39.12 No Inference Against Drafting Party . Landlord and Tenant acknowledge and agree that (A) this Lease has been freely negotiated by both parties; and (B) in any controversy, dispute or contest over the meaning, interpretation, validity, or enforceability of this Lease or any of its terms or conditions, there shall be no inference, presumption, or conclusion drawn whatsoever against either party by virtue of that party having drafted this Lease or any portion thereof.

39.13 Headings and Titles; Construction . The headings and titles to the paragraphs of this Lease are for convenience only and shall have no effect upon the construction or interpretation of any part hereof. The term **"Landlord"** and term **"Tenant"** as used herein shall mean, where appropriate, all persons acting by or on behalf of the respective parties, except as to any required approvals, consents, amendments, modifications or supplements hereunder, in which event such terms shall only mean the parties originally named on the first page of this Lease as Landlord and Tenant, respectively, and their agents so authorized in writing. The term "including" shall be deemed to mean "including, without limitation."

39.14 Lease Not Binding Until Executed and Delivered . This Lease shall not bind Landlord unless and until it has been signed and delivered by Tenant (and Guarantor(s), if any), received and accepted by Landlord, and then countersigned and redelivered by Landlord to Tenant.

39.15 Counterparts . This Lease may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

39.16 Entire Agreement; Amendment and Modification . This Lease, including all Exhibits attached hereto, constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings between the parties, including all lease proposals, letters of intent and similar documents. This Lease may be modified only by a written agreement signed by both Landlord and Tenant.

39.17 No Representations or Warranties . Tenant acknowledges and agrees that Landlord has not made and is not making, and Tenant, in executing and delivering this Lease, is not relying upon, any representations, warranties, promises or statements, except to the extent that the same are expressly set forth in this Lease. Landlord and Tenant acknowledge and agree that there are and shall be no implied warranties of merchantability, habitability, suitability, fitness for a particular purpose or of any other kind arising out of this Lease, all of which are hereby waived by Tenant, and that there are no warranties which extend beyond those expressly set forth in this Lease.

39.18 Waiver of Counterclaims . If Landlord commences any summary proceeding for possession of the Premises based on an Event of Default by Tenant hereunder, Tenant hereby waives the right to interpose any non compulsory counterclaim of whatever nature or description in any such proceeding; *provided* , *however* , that Tenant shall have the right to bring a separate action against Landlord to the extent otherwise allowed under this Lease as long as Tenant does not attempt to have such action joined or otherwise consolidated with Landlord's summary proceeding.

39.19 Consents . Except as otherwise specifically provided in this Lease, any consent or approval to be given by Landlord under this Lease may be withheld or denied at Landlord's sole and absolute discretion.

39.20 Merger . The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, or a termination by Landlord, shall not result in the merger of Landlord's and Tenant's estates, and shall, at the option of Landlord, (A) terminate all or any existing subtenancies, or (B) operate as an assignment to Landlord of any or all of such subtenancies.

39.21 Right to Lease . Landlord reserves the absolute right to effect such other tenancies at the Property as Landlord in its sole and absolute discretion shall determine, and Tenant is not relying on any representation that any specific tenant or number of tenants will occupy the Property.

39.22 Confidentiality . Tenant acknowledges and agrees that the terms, covenants and conditions of this Lease are confidential, and disclosure thereof could adversely affect the ability of Landlord to negotiate other leases with respect to the Property and may impair Landlord's relationships with other tenants at the Property. Tenant agrees that Tenant and Tenant's Agents shall not disclose the terms, covenants and conditions of this Lease to any other person or entity without the prior written consent of Landlord, which may be withheld in Landlord's sole and absolute discretion, except as required for financial disclosures or securities filings or as otherwise required by law, court order or in connection with any litigation or dispute between the parties. It is understood and agreed that damages alone would be an inadequate remedy for the breach of this provision by Tenant, and Landlord shall also have the right to seek specific performance of this provision and to seek injunctive relief to prevent its breach or continued breach.

40. OPTION TO EXTEND .

A. Provided that, at the time of each such exercise, (i) this Lease is in full force and effect, and (ii) no Event of Default shall have occurred and be continuing (either at the time of exercise or at the commencement of the Extended Term), and (iii) Tenant shall not have assigned this Lease or sublet all or any portion the Premises, other than any Permitted Transfer (any of which conditions described in clauses (i), (ii), and (iii) may be waived by Landlord at any time in Landlord's sole discretion), Tenant shall have the right and option to extend the Term of this Lease for one (1) extended term **("Extended Term")** of five (5) years, by giving written notice to Landlord not later than twelve (12) months prior to the expiration date of the Term. The effective giving of such notice of extension by Tenant shall automatically extend the Term of this Lease for the Extended Term, and no instrument of renewal or extension need be executed. In the event that Tenant fails timely to give such notice to Landlord, this Lease shall automatically terminate at the end of the Term, and Tenant shall have no further option to extend the Term of this Lease. The Extended Term shall commence on the day immediately succeeding the expiration date of the original Term and shall end on the day immediately preceding the fifth (5th) anniversary of the first day of the Extended Term. The Extended Term shall be on all the terms and conditions of this Lease, except: (w) during the Extended Term, Tenant shall have no further option to extend the Term, (x) the Base Rent for the Extended Term shall be the greater of (i) the Fair Market Rental Value of the Premises as of the commencement of the Extended Term in question, taking into account all relevant factors, determined pursuant to Section 40(b) below or (ii) the Base Rent in effect during the final year of the Lease Term, (y) Landlord shall not be required to furnish any materials or perform any work to prepare the Premises for Tenant's occupancy during the Extended Term and Landlord shall not be required to provide any work allowance or reimburse Tenant for any alterations made or to be made by Tenant, or to grant Tenant any rent concession, and (z) the Base Year shall be the applicable calendar or Tax Fiscal Year, as applicable, in which the commencement of the Extended Term occurs.

B. Promptly after receiving Tenant's notice extending the Term of this Lease pursuant to Section 40(a) above, Landlord shall provide Tenant with Landlord's good faith estimate of the Fair Market Rental Value (as defined in Section 40(c) below) of the Premises for the upcoming Extended Term provided that in no event shall Landlord be required to deliver such estimate sooner than eleven (11) months prior to the expiration of the Term then in effect. If Tenant is unwilling to accept Landlord's estimate of the Fair Market Rental Value as set forth in Landlord's notice referred to above, and the parties are unable to reach agreement thereon within thirty (30) days after the delivery of such notice by Landlord, then either party may submit the determination of the Fair Market Rental Value of the Premises to arbitration by giving notice to the other party naming the initiating party's arbitrator within ten (10) days after the expiration of such thirty (30)-day period. Within fifteen (15) days after receiving a notice of initiation of arbitration, the responding party shall appoint its own arbitrator by notifying the initiating party of the responding party's arbitrator. If the second arbitrator shall not have been so appointed within such fifteen (15) day period, the Fair Market Rental Value of the Premises shall be determined by the initiating party's arbitrator. If the second arbitrator shall have been so appointed, the two arbitrators thus appointed shall, within fifteen (15) days after the responding party's notice of appointment of the second arbitrator, appoint a third arbitrator. If the two initial arbitrators are unable timely to agree on the third arbitrator, then either may, on behalf of both, request such appointment by the Boston office of JAMS, Inc., or its successor, or, on its failure, refusal or inability to act, by a court of competent jurisdiction. The Fair Market Rental Value of the Premises for the Extended Term shall be determined by the method commonly known as Baseball Arbitration, whereby Landlord's selected arbitrator and Tenant's selected arbitrator shall each set forth its respective determination of the Fair Market Rental Value of the Premises, and the third arbitrator must select one or the other (it being understood that the third arbitrator shall be expressly prohibited from selecting a compromise figure). Landlord's selected arbitrator and Tenant's selected arbitrator shall deliver their determinations of the Fair Market Rental Value of the Premises to the third arbitrator within five (5) Business Days of the appointment of the third arbitrator and the third arbitrator shall render his or her decision within ten (10) days after receipt of both of the other two determinations of the Fair Market Rental Value of the Premises. The third arbitrator's decision shall be binding on both Landlord and Tenant. All arbitrators shall be commercial real estate brokers who are independent from the parties and who have had at least ten (10) years' experience in leases of comparable premises in comparable buildings in the area in which the Premises are located. Each party shall pay the fees of its own arbitrator, and the fees of the third arbitrator shall be shared equally by the parties. In the event Tenant initiates the aforesaid arbitration process and as of the commencement of the Extended Term the amount of the Base Rent for the Extended Term has not been determined, Tenant shall pay the amount determined by Landlord for the Premises and when the determination has actually been made, an appropriate retroactive adjustment shall be made as of the commencement of the Extended Term if necessary. In the event that such determination shall result in an overpayment by Tenant of any Base Rent, such overpayment shall be paid by Landlord to Tenant promptly after such determination has been made, and if such determination shall result in an underpayment by Tenant of any Base Rent, Tenant shall pay any such amounts to Landlord promptly following such determination.

C. As used in this Lease, the term **"Fair Market Rental Value"** shall mean the fixed rents that landlords of comparable first class buildings in the 128 West submarket have agreed to accept, and sophisticated nonaffiliated tenants of comparable buildings have agreed to pay, in current arms-length, nonequity *(i.e.,* not being offered equity in the building), transactions for comparable space (in terms of condition, improvements, floor location and floor height) of a comparable size, for a term equal to the applicable Extended Term and taking into account all other relevant factors.

41. RIGHT OF FIRST OFFER .

A. Subject to the terms and conditions of this Section 41 , Landlord shall, by written notice to Tenant **("Landlord's Offer Notice"),** offer any Available Space (as hereinafter defined) to Tenant for lease when Landlord determines that such Available Space will become Available for Lease (as hereinafter defined), and Tenant will have the following one-time right to lease the offered Available Space. As used in this Section 41 , **"Available Space"** shall mean and refer to leasable space in the Building contiguous to the Premises on the third (3 rd) floor, and such Available Space shall be deemed **"Available for Lease"** when Landlord reasonably determines it will be vacant and free of any possessory right now or hereafter existing in favor of any third party. Anything to the contrary contained herein notwithstanding, Tenant's right of first offer hereunder is subordinate to (i) any right of offer, right of first refusal, renewal right or similar right or option in favor of any third party existing as of the date of this Lease, and (ii) Landlord's right to renew or extend the term of any lease to another tenant in occupancy of space in the Building, whether or not pursuant to an option or right set forth in such other tenant's lease.

B. Landlord's Offer Notice shall specify the Base Rent for the Available Space, the date that Landlord estimates the Available Space will be delivered to Tenant, the term of the Lease with respect to the Available Space, tenant improvement allowances (if any), and all other material terms and conditions which will apply to the Available Space. Tenant will notify Landlord within seven (7) Business Days of Landlord's Offer Notice that (i) Tenant elects to lease the Available Space on the terms set forth in Landlord's Offer Notice, or (ii) Tenant rejects Landlord's offer. If Tenant timely so elects to lease the Available Space, Landlord and Tenant shall execute an amendment to this Lease incorporating the Available Space into the Premises upon the terms contained in Landlord's Offer Notice, and otherwise on substantially the same terms and conditions as contained in this Lease. If Tenant fails to notify Landlord within said seven (7) Business Day period that Tenant intends to lease such Available Space, Landlord shall be entitled to lease the Available Space at any time to any third party on terms acceptable to Landlord in its sole discretion, and Tenant shall have no further right to lease such Available Space pursuant to this Section 41 following the expiration or earlier termination of such third party lease.

C. Notwithstanding any contrary provision of this Section 41 or any other provision of this Lease, any exercise by Tenant of its right to lease Available Space shall be void and of no effect unless, on the date Tenant notifies Landlord that it elects to lease Available Space and on the commencement date of the Term for the Available Space, (i) this Lease is in full force and effect, and (ii) no Event of Default shall have occurred and be continuing (either at the time of exercise or at the commencement of the term for the Available Space), and (iii) the

originally-named Tenant shall be in occupancy of the entire Premises, other than in connection with any Permitted Transfer, and there shall not then be in effect any sublease or subleases with respect to all or any portion of the Premises (which conditions under clauses (i), (ii) and (ii) above Landlord may waive by written notice to Tenant at any time).

D. Notwithstanding anything to the contrary herein contained, in no event shall Tenant have any rights under this Section 41, and Landlord shall have no obligation to give Landlord's Offer Notice to Tenant, if fewer than twenty-four (24) months will remain on the then current Term as of the anticipated commencement date of the Term for the Available Space, unless (i) Tenant then has an option to extend the Term of the Lease and, (ii) prior to or simultaneously with Tenant exercising its right of first offer, Tenant validly exercises such extension option in accordance with Section 40 above (Tenant recognizing that, in accordance with Section 40(B), Landlord is not obligated to deliver Landlord's good faith estimate of the Fair Market Rental Value for the Extended Term until the date eleven (11) months prior to the expiration of the Term then in effect), in which event the Term of this Lease with respect to the Available Space shall be coterminous with the Term of the this Lease with respect to the balance of the Premises as so extended.

42. EXISTING LEASES AND SUBLEASES . Tenant is currently in occupancy of (a) the Phase I Premises as a subtenant pursuant to a Sublease dated August 27, 2014 between MacLean Power, L.L.C., as sublandlord **("MacLean"),** and Tenant, as subtenant (the **"MacLean Sublease"),** which was consented by Landlord pursuant to a Consent to Sublease dated September 12, 2014 (the **"MacLean Consent"),** and which demises premises under a Lease dated August 22, 2007 (the **"MacLean Lease")** and (b) the Phase II Premises as a subtenant pursuant to a Sublease dated March 7, 2016 between Planck, LLC, as sublandlord **("Planck"),** and Tenant, as subtenant (the **"Planck Sublease"),** which was consented to by Landlord pursuant to a Consent to Sublease dated March 7, 2016 (the **"Planck Consent"),** and which demises premises under a Lease dated June 3, 2014 (the **"Planck Lease").** Landlord hereby acknowledges and agrees that, upon the expiration or earlier termination of the MacLean Lease and the Planck Lease, respectively, Landlord shall accept the premises demised under MacLean Lease and the Planck Lease, respectively, subject to the occupancy of Tenant and otherwise in "as is" condition, and Tenant may disclose the same to Planck and MacLean and Landlord shall confirm the same to Planck and/or MacLean if Planck or MacLean so inquire.

43. EXHIBITS . Additional terms to this Lease, if any, are set forth in the Exhibits attached hereto, which are incorporated herein by reference as follows:

Exhibit A – Plan of Premises

Exhibit B – Rules and Regulations

Exhibit C – Provisions Regarding Additional Rent

Exhibit D – Landlord's Work

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease to be executed as of the date set forth above.

LANDLORD:

WLC THREE VI, L.L.C.,
a Delaware limited liability company

By: WLC Equity VI, L.L.C.,
a Delaware limited liability company,
its Sole Member

By: WLC-G Holdings VI, L.L.C.,
a Delaware limited liability company,
its Sole Member

By: WLC Investors VI, L.L.C.,
a Delaware limited liability company,
its Member

By: Walton REIT Holdings B-VI, L.L.C.,
a Delaware limited liability company,
its Sole Member

By: Walton REIT B-VI, L.L.C.,
a Delaware limited liability company,
its Managing Member

By: Walton Street Real Estate Fund VI-Q, L.P.,
a Delaware limited partnership,
its Managing Member

By: Walton Street Managers VI, L.P.,
a Delaware limited partnership,
its General Partner

By: WSC Managers VI, Inc.,
a Delaware corporation,
its General Partner

By: /s/ Laura Weidaw
Name: Laura Weidaw
Title: VP
Hereunto duly authorized

**[SIGNATURE PAGE TO LEASE AGREEMENT
BY AND BETWEEN WLC THREE VI, L.L.C., AS LANDLORD,
AND ALDEYRA THERAPEUTICS, INC., AS TENANT]**

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease to be executed as of the date set forth above.

TENANT:

ALDEYRA THERAPEUTICS, INC.,
a Delaware corporation

By: /s/ Stephen Tulipano
Name: Stephen Tulipano
Title: CFO
Hereunto duly authorized

**[SIGNATURE PAGE TO LEASE AGREEMENT
BY AND BETWEEN WLC THREE VI, L.L.C., AS LANDLORD,
AND ALDEYRA THERAPEUTICS, INC., AS TENANT]**

EXHIBIT A
PLAN OF PREMISES

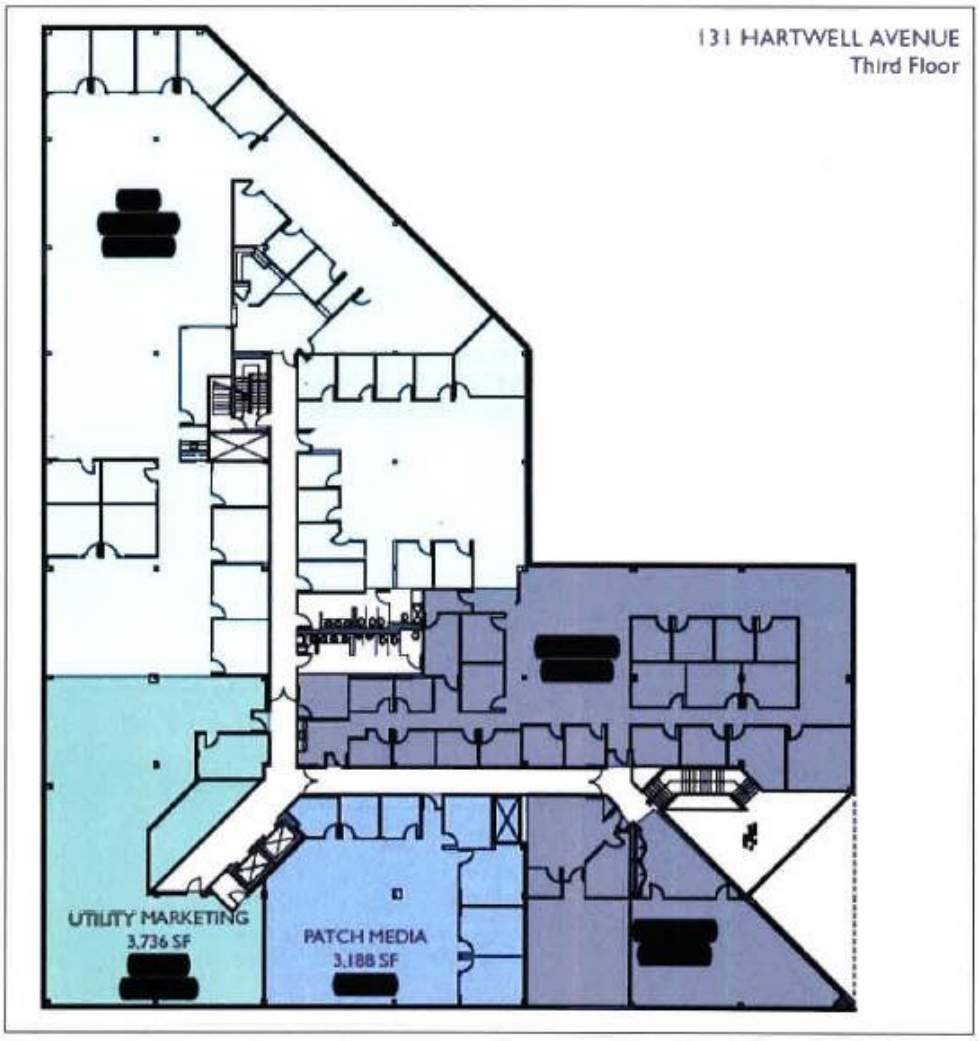

EXHIBIT B
RULES AND REGULATIONS

The following Rules and Regulations constitute a part of the Lease and of Tenant's obligations thereunder with respect to Tenant's use and occupancy of the Premises, the Building and the Property.

1. The Building is open from 7:00 a.m. to 6:00 p.m. on Monday through Friday, excluding federal, state or local holidays in which the banks in Lexington, Massachusetts are not open for business. Landlord shall provide access to the Building in accordance with such Building standard entry system as shall from time to time be in effect during normal business hours. Landlord reserves the right to alter the Building standard entry system from time to time as it sees fit.

2. Sidewalks, doorways, vestibules, halls, stairways, and similar areas shall not be obstructed nor shall refuse, furniture, umbrellas, boxes or other items be placed therein by Tenant or its officers, agents, servants or employees, or used for any purpose other than ingress and egress to and from the Premises, or for going from one part of the Building to another part of the Building. Canvassing, soliciting and peddling in the Building are prohibited.

3. Plumbing, fixtures and appliances shall be used only for the purpose for which constructed, no other unsuitable material shall be placed therein.

4. No signs, directories, posters, advertisements, or notices shall be painted or affixed on or to any of the windows or doors, or in corridors or other parts of the Buildings, except in such color, size and style, and in such places, as shall be first approved in writing by Landlord in its discretion. Building standard suite identification signs will be prepared by Landlord at Landlord's expense, however, Tenant may install its own sign identification within the Premises, subject to Landlord's approval thereof. Landlord shall have the right to remove all unapproved signs without notice to the Tenant, at the expense of the Tenant. It is also further understood that furnishings in Tenant's area, which are viewed from the common areas shall be subject to Landlord approval, which shall not be unreasonably withheld, conditioned or delayed.

5. Tenant shall not do, or permit anything to be done in or about the Building, or bring or keep anything therein that will in any way increase the rate of fire or other insurance on the Building, or on property kept therein or otherwise increase the possibility of fire or other casualty.

6. Landlord shall have the right to reasonably prescribe the weight and position of heavy equipment or objects, which may overstress any portion of the floors of the Premises. All damage done to the Building by the improper placing of such heavy items will be repaired at the sole expense of Tenant.

7. Movement in or out of the Building of furniture or office equipment, or dispatch or receipt by Tenants of any bulky material, merchandise or materials which requires use of elevators or stairways or movement through the Building entrances or lobby shall be

restricted to such hours as Lessor shall designate. All such movement shall be under the supervision of Lessor by prearrangement before performance. Such prearrangement initiated by a Tenant shall include determination by Lessor, and subject to this decision and control, as to the time, method, and routing of movement and as to limitations for safety or other concern which may prohibit any article, equipment, or any item from being brought into the Building. The Tenants are to assume all risks as to the damage to articles moved and injury to persons or public engaged or not engaged in such movement, including equipment, property, and personnel of Lessor if damaged or injured as a result of an act in connection with carrying out this service for a Tenant from time of entering property to completion of work; and Lessor shall not be liable for acts of any persons engaged in or any damage or loss of any said property or persons resulting from any act in connection with such service performed for a Tenant.

8. Tenant shall notify the Building Manager when safes or other heavy equipment are to be taken in or out of the Building, and such moving shall only be done after written permission is obtained from Landlord on such conditions, as Landlord shall require. Additional costs related to the installation of such equipment, such as for elevator use or window removal, will be borne by Tenant.

9. Corridor doors, when not in use, shall be kept closed. Stairwell doors shall remain closed at all times. Tenant shall lock all office doors leading to corridors and turn out all lights at the close of the working day.

10. Tenant shall cooperate with Landlord's employees in keeping Premises neat and clean.

12. Tenant shall not cause or permit any improper noises in the Building, or allow any unpleasant odors to emanate from the Premises, or otherwise interfere, injure or annoy in any way other Tenants, or persons having business with them.

13. With the exception of service animals, no animals may be brought into or kept in or about the building or Premises. No bicycles may be brought into or kept in the Building, but must be stored, at the sole risk of the individual storing a bicycle, in bicycle racks.

14. Except as provided in the Tenant's lease, no machinery of any kind other than that which is subject to normal business practices, such as typewriters, calculators, any business computers, shall be operated on the Premises without the prior written consent of Landlord, nor shall Tenant use or keep in the Building any inflammable or explosive fluid or substance, or any illuminating materials, except for storage, handling and use of reasonable quantities and types of cleaning fluids and office supplies in the Premises in the ordinary course of Tenant's business in the Premises for the Permitted Use in accordance with Environmental Requirements. No space heaters or fans shall be operated in the Building.

15. No motorcycles, mopeds or similar vehicles will be allowed in the Building.

16. No nails, hooks, or screws shall be driven into or inserted in any part of the Building except as approved by the Building Manager, permitted by Tenant's lease, or as reasonably necessary to permit Tenant to hang pictures and other wall decorations within the Premises.

17. Landlord has the right to evacuate the Building in the event of an emergency or catastrophe.

18. No food and/or beverages shall be distributed from the Premises without the prior written approval of the Building Manager, except in connection with the operation of vending machines installed for the exclusive use of Tenant's employees or the operation of Tenant's lunchroom for Tenant's employees permitted under the Lease.

19. No additional locks shall be placed upon any door without the prior written consent of Landlord. Landlord shall furnish all necessary keys, and the same shall be surrendered upon termination of Tenant's lease, and Tenant shall then give Landlord or his agent an explanation of the combination of all locks on the doors or vaults. Landlord shall initially give tenant two (2) such keys to the Premises. Tenant or its employees shall make no duplicates of such keys. Additional keys shall be obtained only from Landlord, at a fee to be determined by Landlord.

20. Tenant will not relocate furnishings or cabinets adjacent to mechanical or electrical access panels or over air conditioning outlets so as to prevent operating personnel from servicing such units as routine or emergency access may require. Cost of moving such furnishings for Landlord access will be for Tenant's account. The lighting and air conditioning equipment of the Building will remain the exclusive charge of the Building designated personnel.

21. Tenant shall comply with reasonable parking rules and regulations as may be posted and distributed from time to time.

22. No portion of the Building shall be used for the purpose of sleeping or lodging rooms,

23. Prior written approval, which shall be at Landlord's sole discretion, must be obtained for installation of window shades, blinds, drapes, or any other window treatment of any kind whatsoever. Landlord will control all internal lighting that may be visible from the exterior of the Building and shall have the right to change any unapproved lighting, without notice to Tenant, at Tenant's expense.

24. Lessor shall not be responsible for lost or stolen personal property, money or jewelry from Tenant's leased area or public areas regardless of whether such loss occurs when area is locked against entry or not.

25. Tenant will comply with all requirements necessary for the security of the premises, including the use of property removal passes for removal of office equipment/packages, and use of security control cards for after-hours entry.

26. All window blinds are to remain down and tilted at a 45 degree angle toward the street to help maintain comfortable room temperatures and to conserve energy.

27. If you shall use water for any purpose other than for ordinary lavatory and drinking purposes, Landlord may assess a reasonable charge for the additional water so used or install a water meter and thereby measure your water consumption for all water purposes. In the latter event, you shall pay the cost of the meter and the cost of installation thereof and pay for water consumed, as shown on such meter, together with the sewer charge based on such meter charges, as and when bills are rendered. If you default in making such payment, Landlord may, but is not obligated to, pay such charges and collect the same from you as Additional Rent.

28. All requests for overtime air conditioning and/or heat must be submitted in writing to the Management Office.

29. All requests for keys, locks, or graphics must be submitted in writing to the Management Office.

30. It is strongly recommended by the Lexington Fire Department that an A, B, C Multi-Purpose fire extinguisher be kept in each Tenant's area in an accessible location.

31. Lessor reserves the right to rescind any of these rules and regulations and to make such other and further rules and regulations as in its reasonable judgment shall, from time to time, be needed for the safety, protection, care and cleanliness of the Building, the operation thereof, the preservation of good order therein and the protection and comfort of the Tenants and their agents, employees and invitees, which rules and regulations, when made and written notice thereof is given to a Tenant, shall be binding upon it in like manner as is originally herein prescribed.

32. Smoking is not permitted in the building's common areas including building entrance vestibules, corridors, restrooms and stairwells. Additionally, smoking is not allowed in front of the entrance to the building. Massachusetts law states smoking near public buildings and workplaces is prohibited within a presumptively reasonable minimum distance of twenty-five feet from entrances/exits.

LANDLORD RESERVES THE RIGHT TO ALTER OR AMEND THESE RULES AND REGULATIONS FROM TIME TO TIME AND TO VARY THESE RULES AND REGULATIONS AMONG THE TENANTS OF THE BUILDIN (PROVIDED THAT LANDLORD AGREES THAT IT WILL NOT ENFORCE THESE RULES AND REGULATIONS AGAINST TENANT IN A DISCRIMINATORY OR ARBITRARY MANNER, RECOGNIZING THAT DIFFERING CIRCUMSTANCES MAY JUSTIFY DIFFERENT TREATMENT).

EXHIBIT C
PROVISIONS REGARDING ADDITIONAL RENT

NOTE: For purposes of Exhibit C only, **"Property"** shall mean the property comprised of the Building, together with the parcel(s) of land on which it is located, and any other improvements serving the same.

A. During each calendar year, or portion thereof, falling within the Lease Term, Tenant shall pay to Landlord as Additional Rent hereunder Tenant's Pro Rata Share of the amount by which Operating Expenses for the applicable calendar year exceeds Operating Expenses for the Base Year. During each Tax Fiscal Year, or portion thereof, falling within the Lease Term, Tenant shall pay to Landlord as Additional Rent hereunder Tenant's Pro Rata Share of the amount by which Taxes for the applicable Tax Fiscal Year exceeds Taxes for the Base Year. In no event shall Tenant's Pro Rata Share of Operating Expenses for any calendar year or Tenant's Pro Rata Share of Taxes for any Tax Fiscal Year be less than zero. Prior to the Phase I Commencement Date, or as soon as practical thereafter, and prior to January 1 of each calendar year during the Lease Term, or as soon as practical thereafter, Landlord shall make a good faith estimate of (1) Operating Expenses for the applicable full or partial calendar year and Tenant's Pro Rata Share thereof and (2) Taxes for the applicable full or partial Tax Fiscal Year and Tenant's Pro Rata Share thereof. On or before the first day of each month during the Lease Term commencing after expiration of the applicable Base Year, Tenant shall pay Landlord, as Additional Rent, a monthly installment equal to one-twelfth of Tenant's Pro Rata Share of (a) Landlord's estimate of the amount by which Operating Expenses for the applicable calendar year will exceed Operating Expenses for the Base Year, and (b) Landlord's estimate of the amount by which Taxes for the applicable Tax Fiscal Year will exceed Taxes for the Base Year. Landlord shall have the right from time to time to reasonably revise the estimate of Operating Expenses and Taxes and provide Tenant with a revised statement therefor (*provided* , *however* , Landlord agrees that Landlord shall not issue a revised statement more than twice in any calendar year for Operating Expenses and twice in any Tax Fiscal Year for Taxes), and thereafter the amount Tenant shall pay each month shall be based upon such revised estimate. If Landlord does not provide Tenant with an estimate of Operating Expenses and/or Taxes by January 1 of any calendar year, Tenant shall continue to pay a monthly installment based on the previous year's estimate until such time as Landlord provides Tenant with an estimate of Operating Expenses and/or Taxes for the current year. Upon receipt of such current year's estimate, an adjustment shall be made for any month during the current year with respect to which Tenant paid monthly installments of Additional Rent based on the previous year's estimate. Tenant shall pay Landlord for any underpayment within thirty (30) days after Landlord's written demand. Any overpayment of Additional Rent shall, at Landlord's option, be refunded to Tenant or credited against the installments of Additional Rent next coming due under this Lease. Any amount paid by Tenant based on any estimate shall be subject to adjustment pursuant to Paragraph B below when actual Operating Expenses or actual Taxes, as applicable, are determined.

B. As soon as is practical following the end of each calendar year during the Lease Term (but on no event later than July 1), Landlord shall furnish to Tenant a statement of Landlord's actual Operating Expenses and Taxes for the previous calendar year and Tax Fiscal Year (the **"True-Up Statement").** If for any calendar year (or, as applicable, Tax Fiscal Year) Additional Rent collected for the prior year, as a result of Landlord's estimate of Operating

Expenses or Taxes, is in excess of Tenant's Pro Rata Share of the amount by which Operating Expenses or Taxes, as applicable, for such prior year exceeds Operating Expenses or Taxes for the Base Year, then Landlord shall refund to Tenant any overpayment (or at Landlord's option apply such amount against Additional Rent due or to become due hereunder). Likewise, Tenant shall pay to Landlord, within thirty (30) days after written demand, any underpayment with respect to the prior year whether or not this Lease has terminated prior to receipt by Tenant of a statement for such underpayment, it being understood that the obligations of Landlord and Tenant under this clause shall survive the expiration or earlier termination of this Lease.

C. **"Essential Capital Improvements"** shall mean capital improvements made to the Property (including the Building), which are (1) are reasonably anticipated to result in a reduction in (or minimize increases in) Operating Expenses (regardless of whether such result is achieved), (2) are required to comply with any present or anticipated conservation programs, (3) are required to comply with any Legal Requirements coming into applicability after the date of this Lease, (4) are necessary to enhance Building systems or improve security measures at the Property, or (5) are necessary in order to prevent injury to persons or damage to property or to otherwise alleviate the risk to life or safety due to a dangerous condition or to prevent deterioration or further deterioration of a condition which cannot reasonably be repaired by ordinary maintenance procedures.

D. **"Operating Expenses"** shall mean any and all of Landlord's operating expense costs of any kind or nature paid or incurred in the operation, maintenance and management of the Property (including the Building), all computed on an accrual basis and in accordance with the terms, covenants and conditions of this Lease, including, without limitation, the following: (1) electricity, gas, fuel, steam, water, sewer and any other utility charges (including surcharges) of whatever nature (excluding those charges paid by Tenant or other tenants of the Property if such charges are sub-metered or directly metered pursuant to their leases); (2) any insurance premiums and deductibles paid by Landlord; (3) Property personnel costs, including, without limitation, salaries, wages, fringe benefits, taxes, insurance and other direct and indirect costs; (4) management fees not in excess of four percent (4%) of gross rents; (5) the cost of all service and maintenance contracts, including, without limitation, security services, janitorial services, interior and exterior landscaping services, sidewalk and roadway maintenance, snow removal, cafe/cafeteria operation, gym/fitness facility operation, and shuttle services; (6) all other service, maintenance and repair expenses, and the cost of all materials and supplies therefor; (7) the cost of any additional services not provided to the Property on the Phase I Commencement Date but thereafter provided by Landlord in the prudent management of the Property; (8) the annual amortization of any Essential Capital Improvements, amortized over the useful life thereof, as reasonably determined by Landlord, including interest at a rate that is reasonably equivalent to the interest rate that Landlord would be required to pay to finance the cost of the Essential Capital Improvements in question as of the date such Essential Capital Improvements are performed; and (9) any other costs and expenses (other than capital improvements) incurred by Landlord in operating the Property (including the Building). If Landlord incurs Operating Expenses for the Building or Property together with one or more other buildings or properties, whether pursuant to a reciprocal easement agreement, common area agreement or otherwise, the shared costs and expenses shall be equitably prorated and apportioned between the Building and Property and the other buildings or properties.

E. Operating Expenses shall not include the following : (1) rent or other charges payable under any ground or underlying lease; (2) any expenditures on account of Landlord's acquisition of air or similar development rights; (3) costs of repositioning, selling or syndicating Landlord's interest in the Property; (4) costs with respect to any financing or refinancing of the Property, including debt service, amortization, points and commissions in connection therewith; (5) the cost of making leasehold improvements to any leasable space to prepare the same for occupancy by a tenant thereof, or thereafter for the benefit of a particular tenant or tenants; (6) services performed for or provided to any tenant to the extent such services are exclusive to such tenant; (7) advertising and promotional expenditures, contributions or gifts; (8) brokerage fees or commissions; (9) legal fees incurred in connection with Landlord's preparation, negotiation and enforcement of leases with other tenants; (10) salaries for any agents or employees of Landlord above those attributable to the operation, maintenance and management of the Property; (11) any costs which have been previously included in Operating Expenses or Taxes (whether under the same or a different category); (12) capital expenditures, depreciation and amortization (except as set forth above); (13) the cost of repairs or other work to the extent Landlord is reimbursed by insurance or condemnation proceeds or warranties or by other tenants or occupants (other than through similar Operating Expense provisions); (14) fines, interest and penalties incurred due to the late payment of Taxes or Operating Expenses; (15) costs and expenses incurred for the administration of the entity which constitutes Landlord, as the same are distinguished from the costs of operation, management, maintenance and repair of the Property, including, without limitation, entity accounting and legal matters; (16) the cost of providing additional services to Tenant (or to other tenants) not generally furnished to all occupants of the Building, for which Landlord shall receive direct payment from Tenant or direct payment from such other tenants (other than through similar Operating Expense provisions); (17) overhead and profit paid to Landlord or its subsidiaries or affiliates for services to the extent that the same exceed the cost of such services rendered by unaffiliated parties on a competitive basis (provided however, that this clause (17) shall not apply to the management fee, which shall be governed by Paragraph D above); (18) costs incurred by Landlord as a result of Landlord's breach of this Lease or any other lease with a tenant of the Property; (19) compensation paid to any Building employee to the extent that the same is not fairly allocable to the work or service provided by such employee to the Building; (20) costs of testing, remediation or removal, transportation or storage of Hazardous Matter in the Building required by Environmental Requirements, provided however, that with respect to the testing, remediation or removal of (i) any material or substance located in the Building on the date hereof and which, as of date hereof, is not considered, as a matter of law, to be a Hazardous Matter, but which is subsequently determined to be a Hazardous Matter as a matter of law, and (ii) any material or substance located in the Building after the date hereof and which, when placed in the Building, was not considered, as a matter of law, to be a Hazardous Matter, but which is subsequently determined to be a Hazardous Matter as a matter of law; (21) any bad debt loss, rent loss or reserves for bad debts or rent loss; (22) fines or penalties resulting from the violation by Landlord of any Legal Requirements; or (23) the cost of acquiring, maintaining and insuring sculptures, paintings or other objects of fine art.

F. **"Taxes"** shall mean all taxes, assessments and governmental charges, whether federal, state, county or municipal, and whether general or special, ordinary or extraordinary, foreseen or unforeseen, imposed upon the Property (including the Building), or due to the operation thereof, whether or not directly paid by Landlord. Taxes shall not include income taxes, excess profit taxes, franchise taxes or other taxes imposed or measured on or by the

income of Landlord from the operation of the Property; *provided, however,* that if, due to a future change in the method of taxation or assessment, any income, excess profit, franchise or other tax, however designated, shall be imposed in substitution, in whole or in part, for (or in lieu of) any tax, assessment or charge which would otherwise be included within the definition of Taxes, such other tax shall be deemed to be included within Taxes as defined herein to the extent of such substitution. If Landlord incurs any expenses (including, but not limited to, reasonable attorneys' fees) in connection with its efforts to reduce or minimize increases in the Taxes and/or the assessed value of the Property, any and all such expenses shall be added to, and made a part of, the Taxes for the Tax Fiscal Year to which they relate. Tenant shall pay to the appropriate governmental authority any use and occupancy tax. In the event that Landlord is required by law to collect such tax, Tenant shall pay such use and occupancy tax to Landlord as Additional Rent upon demand and Landlord shall remit any amounts so paid to Landlord to the appropriate governmental authority. Estimates of real estate taxes and assessments for any Tax Fiscal Year during the Lease Term shall be determined based on Landlord's good faith estimate of the real estate taxes and assessments. Taxes hereunder are those actually payable with respect to such Tax Fiscal Year. If Landlord shall receive any tax refund or reimbursement of Taxes or sum in lieu thereof with respect to any Tax Fiscal Year all or any portion of which falls within the Term, then out of any balance remaining thereof after deducting Landlord's expenses in obtaining such refund (unless such expenses had previously been included in Taxes), Landlord shall, provided there does not then exist an Event of Default, credit an amount equal to such refund or reimbursement or sum in lieu thereof (exclusive of any interest, and apportioned if such refund is for a Tax Fiscal Year a portion of which falls outside the Term) multiplied by Tenant's Pro Rata Share against the monthly installments of Operating Expenses or Taxes next due under this Lease (or refund such amount to Tenant if the Term has ended and Tenant has no further obligations to Landlord); provided, that in no event shall Tenant be entitled to a credit in excess of the payments made by Tenant on account of Taxes for such Tax Fiscal Year pursuant to paragraph (A) of this Exhibit C . If Taxes for the Base Year are reduced as a result of an appropriate proceeding or otherwise, the Taxes as so reduced shall for all purposes be deemed to be the Taxes for the Base Year. Landlord represents and warrants to Tenant that, as of the Effective Date, neither the Building nor the Property is the subject of any governmental tax incentive, exemption, abatement or reduction program. Upon Tenant's written request, Landlord shall provide Tenant with copies of tax bills.

G. Gross-Up Provision . If the Property is not at least ninety-five percent (95%) occupied, in the aggregate, during any calendar year of the Lease Term, or if Landlord is not supplying services to at least ninety-five percent (95%) of the Rentable Area of the Building, at any time during any calendar year of the Lease Term, actual Operating Expenses for purposes hereof shall be determined as if the Property had been ninety-five percent (95%) occupied and Landlord had been supplying services to ninety-five percent (95%) of the Rentable Area of the Building during such year. If Operating Expenses for any calendar year during the Lease Term are determined as provided in the foregoing sentence, Operating Expenses for the Base Year shall also be determined as if the Property had been ninety-five percent (95%) occupied and Landlord had been supplying services to ninety-five percent (95%) of the Rentable Area of the Building during such year. In addition, notwithstanding anything to the contrary contained in the Lease, Landlord may equitably adjust Tenant's Pro Rata Share with respect to all or part of any item or expense or cost included in Operating Expenses that relates to a repair, replacement, or service that benefits only the Premises or only a portion of the Building or that varies with the
occupancy of the Building, provided that any such adjustment shall be applied consistently between Base Year and the calendar year during which such adjustment is made.

H. Tenant's Right to Review . Tenant shall have the right (exercisable no more than one (1) time during the Lease Term) to examine and audit Landlord's books and records relating to Operating Expenses and the allocation of expenses made by Landlord establishing Tenant's Pro Rata Share of Operating Expenses for a particular calendar year during the Lease Term. Tenant shall exercise such one-time right, if at all, by notifying Landlord (the **"Examination Notice")** that Tenant disputes the correctness of a particular True-Up Statement no more than thirty (30) days after Landlord furnishes such True-Up Statement. The Examination Notice shall specify the particular respects in which the True-Up Statement is claimed to be incorrect. If Tenant timely sends the Examination Notice, Tenant may, at Tenant's sole cost and expense, undertake an audit of such of Landlord's books and records as are directly relevant to the True-Up Statement in question, provided and on condition that (a) there is then no uncured Event of Default under this Lease, (b) Tenant has made all payments of Tenant's Pro Rata Share of Operating Expenses billed or invoiced by Landlord as of the date of the audit, (c) the audit is performed only by Tenant's employees, internal accounting department or an independent certified public accounting firm reasonably approved by Landlord and whose fee or other compensation is fixed by contract and is in no manner computed or determined based upon the results of the audit, (d) both Tenant and its examiners execute and deliver to Landlord a confidentiality agreement in form and substance reasonably acceptable to Landlord whereby such parties expressly agree to maintain the results of such audit in strict confidence, and (e) such audit is commenced and completed and the results thereof delivered to Landlord within sixty (60) days following the date Landlord makes its books and records available to Tenant. If it is finally determined and agreed by the parties that Landlord has overstated Tenant's Pro Rata Share of Operating Expenses for the calendar year in question, then Landlord shall credit the amount of such overstatement against the monthly installments of Tenant's Pro Rata Share of Operating Expenses next due under this Lease (or refund such amount if the Lease Term has ended and Tenant has no further obligation to Landlord). If it is finally determined and agreed by the parties that Landlord has not overstated Tenant's Pro Rata Share of Operating Expenses for the calendar year in question, then Landlord may invoice Tenant for any amount by which Tenant's Pro Rata Share of Operating Expenses were understated, which invoice shall be payable by Tenant within thirty (30) days after receipt. If Tenant does not timely send an Examination Notice for any particular calendar year during the Lease Term, or if Tenant fails to complete its audit within the applicable sixty (60) day period, then the applicable True-Up Statement shall be binding and conclusive upon Tenant for all purposes of this Lease and Tenant shall have no further right to challenge such True-Up Statement. In addition, if Tenant exercises its right to audit Landlord's books and records for any particular calendar year during the Lease Term in accordance with this paragraph (H), then Tenant shall have no further right to audit Landlord's books and records relating to Operating Expenses and the provisions of this paragraph (H) shall be of no further force or effect.

EXHIBIT D
LANDLORD'S WORK

SPACE PLAN:

SCOPE OF WORK:

- Three telephone rooms
- Re-locate the tel/data room
- One conference room with partial glass wall
- Partial demo of demising wall to combine suites
- Carpet
- Paint
- Replacement of light fixtures in the former Planck space
- Additional electrical outlets
- New entry door and entrance configuration
- Maternity/lactation room

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Todd C. Brady, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aldeyra 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 9, 2017

/s/ Todd C. Brady, M.D., Ph.D.

Todd C. Brady, M.D., Ph.D.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER AND PRINCIPAL ACCOUNTING OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stephen J. Tulipano, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aldeyra 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 9, 2017

/s/ Stephen J. Tulipano

Stephen J. Tulipano
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION

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)

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 Aldeyra Therapeutics, Inc. (the "Company"), does hereby certify, to the best of such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 (the "Form 10-Q") 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 9, 2017

/s/ Todd C. Brady, M.D., Ph.D.

Todd C. Brady, M.D., Ph.D.
Chief Executive Officer
(Principal Executive Officer)

November 9, 2017

/s/ Stephen J. Tulipano

Stephen J. Tulipano
Chief Financial Officer
(Principal Financial and Principal Accounting 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 (SEC) or its staff upon request. This certification "accompanies" the Form 10-Q to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.