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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2015

OR

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

For 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)	**(IRS Employer Identification No.)**

131 Hartwell Avenue, Suite 320
Lexington, MA 02421
(Address of principal executive offices)

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

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.001 par value per share	**The NASDAQ Stock Market, LLC**
(Title of each class)	**(Name of each exchange on which registered)**

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

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

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

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

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

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

As of June 30, 2015, the last business day of the registrant's last completed second quarter, the aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately $59,343,452, based on the closing price of the registrant's Common Stock, as reported by the NASDAQ Capital Market. Shares of Common Stock held by each executive officer, director and stockholders known by the registrant to be affiliated with such individuals based on public filings and other information known to the registrant have been excluded since such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 30, 2016 there were 9,712,521 shares of the registrant's Common Stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Specified portions of the registrant's proxy statement with respect to the registrant's 2016 Annual Meeting of Stockholders, which is to be filed pursuant to Regulation 14A within 120 days after the end of the registrant's fiscal year ended December 31, 2015, are incorporated by reference into Part III of this annual report on Form 10-K.

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Aldeyra Therapeutics, Inc.
Annual Report on Form 10-K
For the Fiscal Year Ended December 31, 2015
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Various statements in 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 commencement, enrollment 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 the 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.

We encourage you to read the discussion and analysis of our financial condition and our financial statements contained in this annual report on Form 10-K. We also encourage you to read Item 1A of Part 1 of this annual report on Form 10-K, entitled "Risk Factors," which contains a more complete discussion of the risks and uncertainties associated with our business. In addition to the risks described above and in Item 1A of this 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.

As used in this annual report on Form 10-K, the terms "Aldeyra," "Registrant," "we," "us," and "our" mean Aldeyra Therapeutics, Inc. unless the context indicates otherwise.

INDUSTRY AND MARKET DATA

We obtained the industry, market and certain other data used throughout this annual report on Form 10-K from our own internal estimates and research, as well as from industry and general publications, in addition to research, surveys and studies conducted by third parties. Internal estimates are derived from publicly-available information released by industry analysts and third-party sources, our internal research and our industry experience, and are based on assumptions made by us based on such data and our knowledge of our industry and market, which we believe to be reasonable. In addition, while we believe the industry, market and other data included in this annual report on Form 10-K is reliable and is based on reasonable assumptions, such data involves risks and uncertainties and are subject to change based on various factors, including those discussed in "Risk Factors." These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

ITEM 1. *BUSINESS*

Overview

We are a biotechnology company focused primarily on the development of new products for diseases caused by inflammation and inborn errors of metabolism that are thought to be related to naturally occurring toxic and pro-inflammatory chemical species known as aldehydes. We have developed a series of aldehyde traps, molecules that are designed specifically to sequester and allow for the degradation of aldehydes. Our most advanced aldehyde trap, NS2, is a novel product candidate that we are developing for the treatment of:

- 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 severe inflammatory eye disease that can lead to blindness;
- Sjögren-Larsson Syndrome, 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 Deficiency, a rare inborn error of metabolism caused by genetic mutations in an aldehyde-metabolizing enzyme that lead to severe neurological disease.

In 2015, we began clinical testing of NS2 in diseases where we believe aldehyde trapping may improve symptoms and slow or prevent disease progression. In February 2016, we announced that the results of a randomized, parallel-group, double-masked, vehicle-controlled Phase IIa clinical trial of NS2 ophthalmic

solution in patients with allergic conjunctivitis demonstrated statistically and clinically significant activity of NS2 over vehicle in reducing ocular itching and tearing. In the second quarter of 2016, we expect to report results of our randomized, parallel-group, double-masked, vehicle-controlled Phase II clinical trial of NS2 ophthalmic solution in patients with noninfectious anterior uveitis. In the second or third quarter of 2016, we expect to report results of our randomized, parallel-group, double-masked, vehicle-controlled Phase II clinical trial of a dermatologic formulation of NS2 for the treatment of the skin manifestations of SLS. By the end of 2016, we expect to initiate Phase I clinical testing of a systemic formulation of NS2 in preparation for potential Phase II clinical trials in SLS, SSADH Deficiency and severe inflammatory crises. We are also developing aldehyde traps different from NS2 that have the potential to treat diseases other than those described above. All of our development timelines could be subject to adjustment depending on recruitment rate, regulatory agency review, and other factors that could delay the initiation and completion of clinical trials.

Aldehydes are pro-inflammatory, and we believe that aldehyde traps may represent a novel and important approach to treating diseases characterized by inflammation. Allergic conjunctivitis is a common ocular inflammatory disease that affects more than 20% of the population worldwide. The disease is thought to be mediated in part by pro-inflammatory aldehydes that exacerbate inflammation of the conjunctiva, resulting in ocular itching, excessive tear production, swelling, and redness. Other ophthalmic allergic diseases include atopic keratoconjunctivitis (AKC), a rare condition characterized by persistent inflammation of the front of the eye. In contrast to allergic inflammation, noninfectious anterior uveitis is a painful and severe autoimmune inflammatory disease of the eye that can lead to blindness. A portion of allergic conjunctivitis patients, many AKC patients, and most noninfectious anterior uveitis patients are treated with topical corticosteroids, a class of medication that over time leads to ocular toxicity, including cataract (ocular lens opacities resulting in vision impairment) formation, glaucoma (increased intraocular pressure that can, in some cases, lead to blindness), corneal ulcers, and increased rates of ocular infections. We believe that novel anti-inflammatory medications are needed to improve symptoms and deter disease progression, especially in order to reduce dependence on topical corticosteroids.

Patients with inborn errors of metabolism due to genetic mutations in aldehyde-metabolizing enzymes endogenously generate elevated levels of aldehydes, which are directly toxic or lead to the formation of toxic aldehyde derivatives. By reducing aldehyde load, we believe that aldehyde traps have the potential to at least partially mitigate the pathology associated with inborn errors of aldehyde metabolism. Sjögren-Larsson Syndrome (SLS) is a rare condition that we believe afflicts approximately 1,000 patients in the United States. The disease is caused by mutations in fatty aldehyde dehydrogenase, an enzyme that metabolizes fatty (generally 16-18 carbon) aldehydes, resulting in high levels of toxic aldehydes that are the suspected cause of ichthyosis (a severe skin disease), mental delay, spasticity, and, in some patients, retinal dysfunction. The symptoms of SLS patients are poorly treated, and no therapy specifically indicated for SLS has been approved by the FDA. Succinic Semi-Aldehyde Dehydrogenase (SSADH) Deficiency is a rare inborn error of aldehyde metabolism that has been identified in over 400 patients worldwide, and is caused by genetic mutations in SSADH, leading to elevated aldehyde levels. High aldehyde load in SSADH deficiency is thought to cause severe neurologic dysfunction, including autism, motor disorders, cognitive delay and seizures. The symptoms of SSADH Deficiency patients are poorly treated, and no therapy specifically indicated for SSADH Deficiency has been approved by the FDA. Given the lack of efficacious therapy, we believe that novel medications are needed to improve symptoms and deter disease progression for inborn errors of aldehyde metabolism.

Since most of the diseases we plan to study are rare, we intend to request orphan drug designation from the United States Food and Drug Administration (FDA) in certain indications. Additionally, since the mechanism of action of NS2 and other aldehyde traps is novel and may address diseases of significant unmet medical need, we intend to apply for Breakthrough Therapy Designation from the FDA, pending clinical efficacy data or other information that may be required for the application.

NS2 has been tested in a variety of *in vitro* and preclinical models, and has demonstrated efficacy in trapping aldehydes, diminishing inflammation, reducing healing time, protecting key cellular constituents from

aldehyde damage, and lowering the potential for scarring or fibrosis. In cell models of SLS, NS2 has demonstrated trapping of fatty aldehydes, and in a knock-out mouse model of SSADH Deficiency, NS2 has demonstrated trapping of succinic semi-aldehyde in key organs. NS2 has also completed a variety of toxicity studies in animals and appears generally safe. NS2 has been well tolerated to date in a Phase I clinical trial and two Phase II clinical trials as a topical ophthalmic solution, and in a Phase II clinical trial with topical dermatologic administration.

Since our incorporation, we have devoted substantially all of our resources to the preclinical and clinical development of our product candidates. Our ability to generate revenues largely depends upon our ability, alone or with others, to complete the development of our product candidates to obtain the regulatory approvals for and to manufacture, market and sell our products and product candidates. The results of our operations will vary significantly from year-to-year and quarter-to-quarter and depend on a number of factors, including risks related to our business and industry, risks relating to intellectual property and other legal matters, risks related to our common stock, and other risks that are detailed in the section of this Annual Report on Form 10-K entitled “Risk Factors.”

Business Strategy

We intend to develop NS2 and other novel aldehyde traps for the diseases described above as well as potentially other diseases where aldehydes may mediate pathology. We believe that aldehyde trapping is a novel approach with broad therapeutic potential in inflammatory diseases and inborn errors of aldehyde metabolism. Accordingly, we have patented and will continue to attempt to patent novel drug compositions, formulations, and methods that relate to aldehyde trapping. While we may continue to develop and eventually attempt to market aldehyde traps for certain diseases following regulatory approval, if any, we may also partner with larger companies to develop and commercialize products for other diseases where aldehyde toxicity is implicated, particularly diseases that afflict large populations worldwide.

Specifically, our business strategy is to:

- *Continue the development of and pursue regulatory approval for NS2.* We have initiated clinical trials of NS2 in several diseases. If sufficient safety and efficacy is demonstrated over multiple clinical trials as part of the standard drug development process, we intend to apply to the FDA and comparable foreign agencies for marketing approval of NS2.
- *Aggressively develop new intellectual property and consider partnerships to accelerate and maximize the potential for other product candidates that are aldehyde traps.* We have discovered and synthesized a variety of aldehyde traps that we intend to develop and patent for new indications. For some indications, especially those that afflict large populations worldwide, we will consider development and commercialization licensing opportunities with strategic partners that have significant financial resources, commercialization experience, and global infrastructure.
- *Explore building in-house capabilities to commercialize NS2 in the United States and other geographies.* As, and if, NS2 progresses through clinical programs, in addition to partnering opportunities that we may consider, we also intend to evaluate the development of our own specialty sales force and marketing capabilities to allow us to directly market NS2 for rare diseases in the United States or in other geographies, if approved by FDA or analogous regulatory agencies outside the United States.
- *Consider in-licensing complementary drug programs.* We may consider in-licensing drug candidates that are unrelated to aldehyde trapping but complementary to the indications of our current development programs.

The Market for Aldehyde Traps

Occurring generally as a result of a large number of metabolic processes, aldehydes are an endogenously generated chemical species that, among other things, promote inflammation. At high levels, aldehydes are toxic and are implicated as mediators of many inflammatory diseases. Other diseases thought to be related to aldehydes include inborn errors of metabolism, where genetic mutations lead to the incapacity to metabolize certain toxic aldehydes. We believe that the medical needs of the patients suffering from aldehyde-mediated diseases are not currently well addressed and that there is a large market potential for therapies that can lower aldehyde levels. In particular, current therapies for inflammatory diseases often lead to toxicity, and there are no FDA-approved therapies specifically indicated for inborn errors of aldehyde metabolism.

In September 2015, we initiated a randomized, parallel-group, double-masked, vehicle-controlled Phase IIa clinical trial of NS2 ophthalmic solution in patients with allergic conjunctivitis, an ocular inflammatory disease. In February 2016, we announced topline results for this trial, which demonstrated statistically significant activity of NS2 over vehicle in reducing ocular itching and tearing. We believe that this trial is the first demonstration of the clinical efficacy of aldehyde trapping in any human disease. In April 2015, we initiated a randomized, parallel-group, double-masked, vehicle-controlled Phase II clinical trial of NS2 ophthalmic solution in patients with noninfectious anterior uveitis, an ocular inflammatory disease. Data from this trial are expected in the second quarter of 2016. In March 2015, we initiated a randomized, parallel-group, double-masked, vehicle-controlled Phase II clinical trial of a dermatologic formulation of NS2 for the treatment of the skin manifestations of SLS, an inborn error of aldehyde metabolism. Data from this trial are expected in the second or third quarter of 2016. We may initiate clinical trials with NS2 in other diseases thought to be mediated in part by aldehydes, and we have commenced development of a systemic formulation of NS2, which we expect to initiate Phase I clinical testing by the end of 2016 in preparation for potential Phase II clinical trials in inborn errors of metabolism and severe inflammatory crises. We are also developing aldehyde traps different from NS2 that have the potential to treat diseases other than those described above. For mass-market diseases, we may partner with larger companies for development and commercialization. All of our development timelines could be subject to adjustment depending on recruitment rate, regulatory agency review, and other factors that could delay the initiation and completion of clinical trials.

Allergic Conjunctivitis

Allergic conjunctivitis is a common allergic disease that is thought to be mediated in part by pro-inflammatory aldehydes, and is characterized by inflammation of the conjunctiva, resulting in excessive ocular itching and tear production in addition to ocular swelling and redness. Allergic conjunctivitis has been estimated to affect more than 20% of the population worldwide. The mainstay of therapy for allergic conjunctivitis is anti-histamines, which may lead to mydriasis (large pupils) and, in some patients, blurry vision. Further, a significant number of patients do not respond to anti-histamines, especially after the acute effects of the medication subside. Many anti-histamine-recalcitrant patients are prescribed corticosteroids and other more potent drugs that may lead to a variety of ocular toxicities. Other ocular diseases related to allergic conjunctivitis include atopic keratoconjunctivitis (AKC), which is a rare condition characterized by persistent allergic inflammation of the front of the eye. Treatment of AKC generally requires chronic corticosteroid administration, which often results in ocular toxicity.

By trapping pro-inflammatory aldehydes, we believe NS2 may reduce inflammation in allergic conjunctivitis, AKC, and related diseases. NS2 may also reduce the burden of corticosteroid use in patients with persistent disease or in patients that do not respond adequately to anti-histamines. Because corticosteroids exacerbate the formation of cataracts and glaucoma and may increase ocular infection and corneal ulceration, we believe that there is a high demand for a novel topical anti-inflammatory agent to be used in conjunction with, or in place of, corticosteroids.

Noninfectious Anterior Uveitis

Noninfectious anterior uveitis is an inflammatory ocular disease that is associated with elevated aldehyde levels and is characterized by rapid-onset pain, sensitivity to light, and loss of vision that can progress to blindness. The disease may occur with other autoimmune diseases. The annual incidence of noninfectious anterior uveitis in the United States is estimated to be 25,000 patients, and approximately one-third of these patients have one or more episodes per year. Patients with recurrent episodes often develop cataracts, and severe cases may lead to glaucoma, retinal dysfunction, or blindness. The disease is typically treated with topical corticosteroids, though prolonged used of corticosteroids increases the incidence of cataracts and glaucoma in uveitis. Corticosteroids may also increase the incidence of infection and corneal ulceration. Even with corticosteroid therapy, it has been estimated that uveitis is responsible for 10% of the blindness in the United States.

By trapping pro-inflammatory aldehydes, we believe NS2 may diminish inflammation in noninfectious anterior uveitis and reduce the burden of corticosteroid use. Because corticosteroids exacerbate the formation of cataracts and glaucoma in uveitis and may increase ocular infection and corneal ulceration, we believe that there is a high demand for a novel topical anti-inflammatory agent to be used in conjunction with, or in place of, corticosteroids.

Sjögren-Larsson Syndrome

Sjögren-Larsson Syndrome (SLS) is caused by a variety of mutations of an enzyme called fatty aldehyde dehydrogenase (FALDH), leading to the accumulation of fatty aldehydes or precursor molecules that are generally 16 to 18 carbons in length. The aldehyde accumulation is thought to result in the pathology of the disease, which includes a severe skin disorder called ichthyosis, as well as mental delay, spasticity, and, in some patients, retinal disorders. While FALDH dysfunction also leads to diminished levels of certain fatty acids, therapy with these fatty acids has been ineffective in SLS patients. SLS patients are generally diagnosed as neonates given the severe ichthyosis that presents at birth. The disease persists lifelong, and SLS patients have a shortened lifespan, often dying in the sixth decade of life. Some SLS patients are believed to inherit the disease, though most occurrences of SLS appear to be due to sporadic mutations. The disease occurs worldwide. To our knowledge, Sweden is currently the only country to have estimated the prevalence of the disease, at 1 per 250,000 people. Extrapolating from the Swedish estimate, it is generally assumed that there are approximately 1,000 or fewer SLS patients in the United States and a larger number in Europe. The United States SLS prevalence estimate is supported by frequency analysis of FALDH missense mutations in the National Heart, Lung, and Blood Institute exome sequencing database. We believe that many older SLS patients may be undiagnosed, potentially due to the lack of available dermatologic and genetic medicine expertise available when those patients were younger. There is no FDA-approved treatment specifically indicated for SLS.

The primary day-to-day complaint of SLS patients and their caregivers is ichthyosis, a severe skin disease characterized in SLS patients by thick, scaly, dry, wrinkled, pigmented, pruritic (itchy), inflamed skin. SLS patients are consistently disturbed by pruritus and often excoriate skin by scratching. The ichthyosis in SLS affects most of the body, generally sparing the face, palms, and soles. There is currently no specific therapy approved for the treatment of the dermatologic disease in SLS, though some patients and their caregivers apply non-specific topical creams, including keratinolytics (acids that soften skin), moisturizers, and retinoids. We believe that the effects of keratinolytic and moisturizing creams are minimal or non-existent in treating severe ichthyosis, and due to toxicity, retinoids are not suitable for chronic use.

The dermatologic disease in SLS is thought to be caused by aldehyde-mediated modification of lipids (fats) that are generated in the epidermis (the most superficial layer of skin) to form a moisture barrier that holds water in the skin. Moisture barrier compromise leads to water loss, which in turn leads to dermal thickening characteristic of ichthyosis. We believe that by lowering levels of aldehydes and thereby preventing lipid modification and the ensuing moisture barrier dysfunction, NS2, when applied topically to the skin, has the potential to ameliorate the dermatologic symptoms of SLS and deter disease progression. Further, by reducing aldehyde load throughout the body, we believe the systemic administration of NS2 or other aldehyde traps may be beneficial in the treatment of the neurological and ocular symptoms of SLS.

Succinic Semi-Aldehyde Dehydrogenase Deficiency

Succinic Semi-Aldehyde Dehydrogenase (SSADH) Deficiency is a neurological disease caused by mutations in SSADH that result in elevated levels of succinic semi-aldehyde, a toxic aldehyde that is converted into gamma-hydroxybutyrate (GHB) and other metabolites that lead to severe neurological dysfunction, including cognitive delay, seizures, and motor disease. Over 400 patients with SSADH deficiency have been identified worldwide, though the precise prevalence of the disease is not known. GHB (also known as sodium oxybate, a drug marketed for psychiatric disorders) and possibly other succinic semi-aldehyde metabolites lead to depression of neurological function, and some patients with a diagnosis of autism have been found to have SSADH Deficiency.

There is currently no FDA-approved therapy specifically indicated for SSADH Deficiency, and most patients are treated supportively with anti-epileptic medications. While several therapeutic approaches have been attempted in clinical trials, and one medication is currently undergoing testing in a clinical trial run by the National Institute of Neurological Disorders and Stroke, to our knowledge, none have shown promise in addressing the core toxicity of succinic semi-aldehyde, and patients are generally poorly treated. By trapping succinic semi-aldehyde, NS2 or other systemically administered aldehyde traps may have the potential to reduce the direct toxicity of succinic semi-aldehyde as well as the formation of neurotoxic metabolites, and represent a novel approach with considerable therapeutic potential in a disease where there remains significant unmet medical need.

A New Therapeutic Approach for Inflammation and Inborn Errors of Aldehyde Metabolism: NS2 and Other Novel Aldehyde Traps

Aldehyde Toxicity

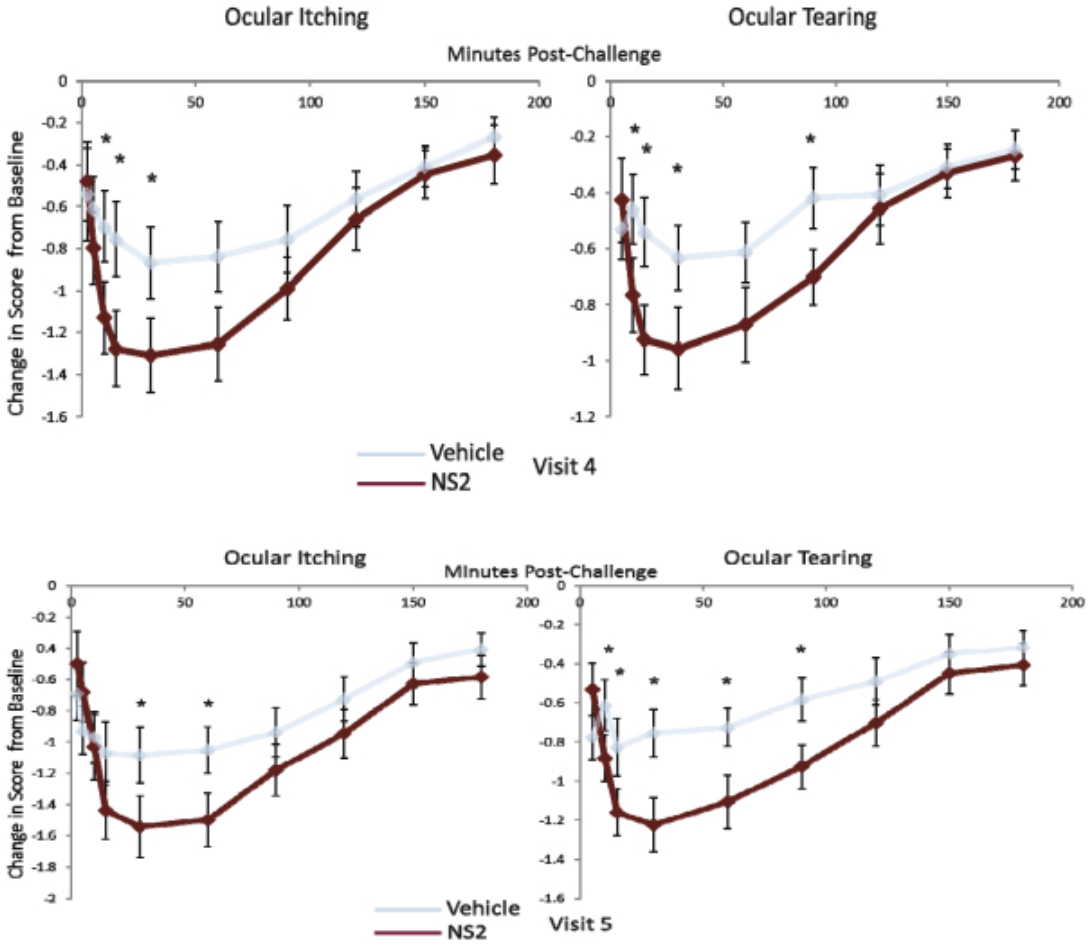
Aldehydes are generated through a variety of metabolic processes and are pro-inflammatory. At high levels, aldehydes are toxic, binding proteins, lipids, carbohydrates, and DNA, and may mediate inflammation in, and the progression of, many serious diseases through signaling cascades that lead to the activation of intracellular inflammatory factors, including NF-kB, an important protein in the inflammatory response. In addition, aldehyde binding to cellular constituents leads to the formation of indigestible adducts and aggregates that are pro-inflammatory and may lead to cellular dysfunction. Because of the inherent toxicity of aldehydes, most, if not all, living organisms contain enzymes such as aldehyde dehydrogenases that detoxify aldehydes. The toxicity of aldehydes is evidenced by human studies showing an increased rate of cognitive decline, cancer, and cardiovascular disease in populations with diminished aldehyde dehydrogenase capacity. Additionally, most inflammatory diseases, including autoimmune disease, neurodegenerative disease, and cardiovascular diseases, manifest elevated aldehyde levels that apparently overwhelm endogenous aldehyde catabolic capacity. To our knowledge, there has never been a concerted pharmaceutical effort to lower all aldehyde levels. Thus, we believe that trapping aldehydes represents a novel platform for the treatment of inflammatory conditions and inborn errors of aldehyde metabolism where genetic mutations prevent the normal degradation of aldehydes.

NS2 – Clinical Development

We are currently developing NS2, a new chemical entity, for the treatment of inflammatory diseases and inborn errors of aldehyde metabolism. NS2 is a small molecule designed specifically to trap, and thereby allow for the degradation of, aldehydes. In *in vitro* and animal studies, NS2 appears to have minimal pharmacology, meaning that NS2 does not appear to affect most cellular components, including most receptors, enzymes, ion channels, or other proteins. NS2 has been shown to bind and trap aldehydes more rapidly than aldehydes bind any cellular constituent. Evidence suggests that NS2 covalently binds to aldehydes to form NS2-aldehyde adducts, which are rapidly transported to cellular lysosomes and degraded within hours. Outside the lysosome, the NS2-aldehyde adduct is remarkably non-reactive and stable, meaning that NS2-aldehyde binding is essentially irreversible *in vivo*, hence the notion of NS2 as an aldehyde trap. By essentially irreversibly binding aldehydes to form covalent adducts that are transported to lysosomes for degradation, NS2 has the potential to substantially lower aldehyde levels.

In order to assess the efficacy of aldehyde trapping in human disease, in 2015 we initiated a series of clinical trials in patients with ocular inflammatory disease and in patients with SLS, an inborn error of aldehyde metabolism. Our initial clinical trials in inflammation involved ocular testing, in part, due to the ability to non-invasively assess inflammation on the surface of and within the eye and the ability to treat the eye with topical administration of drug. Our initial clinical trial in inborn errors of aldehyde metabolism focused on SLS, in part, because the dermatologic aspects of the disease may respond to topical administration of drug, and assessment of dermatological response can be performed with relatively non-invasive techniques and clinical examination. Most inflammatory diseases and, that we are aware, all inborn errors of aldehyde metabolism, involve at least some tissues that cannot be effectively treated topically, and thus we are developing systemic formulations of aldehyde traps, including NS2, and plan to initiate Phase I clinical testing of a systemic formulation by the end of 2016. Potential indications for systemic aldehyde traps include: SLS and SSADH Deficiency, two inborn errors of aldehyde metabolism; and severe inflammatory crises where systemic corticosteroids or other potentially toxic anti-inflammatory drugs are currently used in acute care settings.

In September 2015, we initiated a randomized, parallel-group, double-masked, vehicle-controlled Phase IIa clinical trial of NS2 ophthalmic solution in patients with allergic conjunctivitis. Using the conjunctival allergen provocation test (CAPT), one hundred healthy men and women with at least a two-year history of allergic conjunctivitis to grass, tree or ragweed pollen were randomized in equal groups for treatment with topical ocular NS2 or vehicle, and ocular inflammation was induced by exposure to allergen. The clinical endpoints in the trial included patient assessment (on a 0 to 4 point scale) of ocular itching and tearing, two prominent inflammation-related symptoms of allergic conjunctivitis. In February 2016, we announced topline results, which demonstrated statistically significant activity of NS2 over vehicle in reducing ocular itching and tearing, as shown in the graphics below, which, relative to baseline and relative to vehicle, indicate the efficacy of NS2 immediately after initiation of therapy (Visit 4) and after 14 days of dosing (Visit 5). Relative to baseline scores, NS2 demonstrated durable efficacy that persisted across substantially all time points over three hours following CAPT challenges. Despite a stronger than expected vehicle effect, peak changes in ocular itching and tearing scores were statistically superior to vehicle. The reductions from baseline scores were of the same magnitude previously observed in the CAPT model with existing therapies utilized in the treatment of allergic conjunctivitis, and peak changes exceeded one point for both ocular itching and tearing scores. Both drug and vehicle reduced ocular redness relative to baseline, but there were no differences in redness reduction between drug and vehicle groups. NS2 was generally well tolerated and there were no safety concerns during the trial. Transient and generally mild stinging was noted in the treatment arm. Two patients dropped out of the trial during treatment.



To our knowledge, the data from the allergic conjunctivitis Phase IIa clinical trial represent the first demonstration of the efficacy of aldehyde trapping in any human disease, and we believe that the results validate the potential of aldehyde traps as a novel anti-inflammatory therapy. To further assess the anti-inflammatory activity of NS2, and with the same concentration and dosing frequency of NS2 ophthalmic solution used in the allergic conjunctivitis Phase IIa trial, we initiated in April 2015 a randomized, parallel-group, double-masked, vehicle-controlled Phase II clinical trial of NS2 ophthalmic solution in patients with noninfectious anterior uveitis, another ocular inflammatory disease. Data from this trial are expected in the second quarter of 2016. To assess the activity of NS2 in inborn errors of aldehyde metabolism, we initiated in March 2015 a randomized, parallel-group, double-masked, vehicle-controlled Phase II clinical trial of a dermatologic formulation of NS2 for the treatment of the skin manifestations of SLS. Data from this trial are expected in the second or third quarter of 2016. Table 1 summarizes the key characteristics of the Phase II clinical trials with topical administration of NS2. The clinical designs of the trials in Table 1 have been posted on www.clinicaltrials.gov.

Table 1. Clinical Trial Designs

Indication	Allergic Conjunctivitis	Noninfectious Anterior Uveitis	SLS Dermatologic
Drug Product	NS2 0.5% Ophthalmic solution QID	NS2 0.5% Ophthalmic solution QID	NS2 1% Dermatologic QD
Patients	100	45	12
Control	1:1 Vehicle, Double-Masked	1:1:1 (NS2, topical corticosteroid, and sub-therapeutic corticosteroid + NS2), Double-Masked	1:1 Vehicle, Double-Masked
Treatment Time	16 days	6 weeks	8 weeks
Endpoints	Ocular itching, tearing and redness	Ocular inflammation, pain, and visual acuity	Visual Ichthyosis Scale

We completed a double-masked, placebo-controlled, United States-based Phase I clinical trial of 0.25% and 0.5% NS2 administered as an eye drop in 48 healthy volunteers. Up to four doses per day in both eyes were administered per volunteer for seven days for both concentrations. No NS2 was detectable in plasma, and NS2 was well tolerated in all subjects throughout the duration of the study. There was transient and mild stinging in some subjects. NS2 did not appear to affect visual acuity or dark adaptation, and therefore we believe did not disrupt the function of retinaldehyde in the retina or other physiologic processes that relate to visual function.

NS2 – Preclinical Development

We believe we have been the first to demonstrate the positive effects of lowering aldehyde levels with an aldehyde trap in a variety of animal models relating to inflammation, suggesting that aldehyde traps may have potent anti-inflammatory effects that persist hours after NS2 administration at a variety of different doses relevant to clinical testing. In addition, we believe we have also been the first to demonstrate the activity of NS2 in binding aldehydes in *in vitro* and preclinical models of inborn errors of aldehyde metabolism.

- In murine models of ocular inflammation and post-surgical healing, topically applied NS2 ophthalmic solution reduced ocular redness and inflammatory cytokines comparable to corticosteroid therapy and slowed the development of corneal haze (fibrosis). (Data presented at the Association for Research in Vision and Ophthalmology 2015 Annual Meeting)
- In mice injected with a pro-inflammatory agent known as endotoxin, NS2 statistically reduced a variety of inflammatory cytokines (protein inflammatory mediators), including IL-5, Il-1ß, IL-17, and TNF-a, while up-regulating the primary anti-inflammatory cytokine, IL-10. Additionally, in models of murine contact (induced by phorbol myristate acetate) and allergic (induced by sensitivity to oxazolone) dermatitis, NS2 statistically reduced inflammation as measured by edema (swelling). (Data presented at the American Academy of Asthma Allergy and Immunology 2015 Annual Meeting)
- In a model of radiation mucositis (oral inflammation) in hamsters, chronic subcutaneous administration of NS2 reduced healing time and decreased fibrosis (scarring). (Data presented at the Multinational Association of Supportive Care in Cancer – International Society of Oral Oncology 2015 Annual Meeting)
- In human skin cells and in cells lacking FALDH (a model of SLS), NS2 prevented aldehydes from binding a lipid (fat) thought to be critical to the dermal moisture barrier. (Data presented at the Society for Inherited Metabolic Disorders 2015 Annual Meeting)

- In a knock-out mouse model of SSADH Deficiency, NS2 trapped succinic semi-aldehyde in key tissues. (Data presented at the 2015 American Society of Human Genetics Annual Meeting).

Thus, we believe that aldehyde trapping with NS2 potentially has a variety of mechanisms of action – lowering inflammation, reducing healing time, diminishing scarring, and protecting a lipid important in tissue moisture barriers – that may ameliorate aldehyde-mediated disease and deter aldehyde-mediated disease progression in different ways at the same time.

NS2 – Therapeutic Index

Aside from increasing levels of inflammation, there is no generally accepted role of high levels of aldehydes. Some physiologic molecules have aldehyde forms, including retinaldehyde (a form of Vitamin A) and pyridoxal and pyridoxal phosphate (forms of Vitamin B6), but these molecules are not free aldehydes in that they are tightly chaperoned and protected by proteins that prevent the aldehydes from reacting with other molecules, including aldehyde traps. Thus, aldehyde trapping is expected *a priori* not to lead to overt toxicity by sequestering physiologic aldehydes.

We have completed one Phase IIa clinical trial, one Phase II clinical trial and a number of non-clinical and preclinical toxicity studies of NS2, which appears to be generally well tolerated and safe. Based on the evidence collected by us to date, NS2 is an aldehyde trap that has minimal pharmacological activity per se, in that there are no known direct interactions with cellular components that appear to have significant effects in animals. After systemic exposure to high levels of NS2, no signs of retinaldehyde deficiency on retinal function have been observed, nor have we observed any effects in animals that would suggest pyridoxal deficiencies. No significant toxicity has been observed by us in an animal model when NS2 was administered as a 0.5% eye drop four times per day for up to nine months. No consistent toxicity was observed in animals topically treated once-daily with a 1% NS2 dermatologic formulation for 9 weeks. No NS2-related toxicity has been observed in animals when NS2 was systemically administered in special cardiovascular, neurobehavioral and pulmonary safety studies, or in other studies with NS2, either acutely or chronically, including a study where animals were administered NS2 intravenously for 60 days. In preparation for clinical testing of systemically administered NS2, other intravenous toxicology studies are in progress.

To our knowledge, levels of aldehydes in tissue generally do not exceed 10µM for sustained durations, since, based on cell toxicity studies after exposure to aldehydes, 10µM concentrations can lead to significant cell death. In skin cell culture from patients with SLS, over 80% cell death has been observed at 60µM concentrations of aldehydes; however, biopsies of SLS patients do not indicate cell death, suggesting that the actual aldehyde concentrations in the skin of SLS patients is far lower than 60µM. In the tears of patients with dry eye, aldehyde concentrations are estimated at 1µM. Based on the totality of these results, we believe that the levels of aldehydes in SLS or other human diseases are likely significantly lower than 10µM on a sustained basis. Relative to aldehyde levels, concentrations of NS2 are generally higher in our pharmaceutical preparations and in the tissue of animals after NS2 administration. Eye drops containing 0.5% NS2 are greater than 20mM (20,000-fold greater than reported aldehyde load in tears of dry eye patients), and a single drop results in maximum anterior ocular tissue concentrations of greater than 15µM in non-human primates. Likewise, maximum NS2 concentrations in 1% dermatologic topical preparations are greater than 40mM, and following 21 days of once-daily exposure to topical 1% NS2 in animals, dermal tissue levels of NS2 ranged from 10 to 30 µM, with systemic levels of NS2 estimated to be less than 1 µM. Given the potential to be able to administer NS2 topically in concentrations that far exceed predicted aldehyde concentrations, we believe that NS2 has the potential to significantly lower aldehyde loads in diseases where topical administration of NS2 is applicable. However, it is likely that there are “sinks” or stores of aldehydes that are temporarily bound to proteins and other cellular and non-cellular constituents. Temporarily bound aldehydes are likely not immediately accessible to aldehyde traps. Over time, as accessible aldehydes are trapped, aldehyde sinks may release free aldehyde, requiring sustained administration of aldehyde traps to lower total aldehyde levels.

Novel Aldehyde Trap Development

In addition to the development of NS2, we intend to continue the discovery and development of other novel aldehyde traps and we intend to continue to develop intellectual property around such molecules. We have identified, synthesized, and tested *in vitro* numerous molecules that may be more potent than NS2 in trapping aldehydes. We are currently screening novel traps for product candidates to address diseases where topical and systemic administration are applicable to reduce aldehyde-mediated pathology. We expect to nominate new aldehyde traps for further development in 2016; however, given the unpredictable nature of medicinal chemistry and the early stage molecular screening, the timing of product candidate selection is difficult to ascertain.

Intellectual Property and Proprietary Rights

Overview

We are building an intellectual property portfolio for NS2 and other aldehyde traps in the United States and abroad. We currently seek, and intend to continue to seek, patent protection in the United States and internationally for our product candidates, methods of use, and processes for manufacture, and for other technologies, where appropriate. Our current policy is to actively seek to protect our proprietary position by, among other things, filing patent applications in the United States and abroad relating to proprietary technologies that are important to the development of our business. We also rely on, and will continue to rely on, trade secrets, know-how, continuing technological innovation and in-licensing opportunities to develop and maintain our proprietary position. We cannot be sure that patents will be granted with respect to any of our pending patent applications or with respect to any patent applications filed by us in the future, nor can we be sure that any of our existing patents or any patents that may be granted to us in the future will be commercially useful in protecting our technology.

Our success will depend significantly on our ability to obtain and maintain patent and other proprietary protection for the technologies that we consider important to our business, our ability to defend our patents, and our ability to preserve the confidentiality of our trade secrets and operate our business without infringing the patents and proprietary rights of third parties.

Patent Portfolio

Our patent portfolio currently includes patents and patent applications covering the composition, formulation, and uses of NS2, and the compositions and uses of other novel aldehyde trapping compounds. As of December 31, 2015, we owned three United States patents and six pending United States non-provisional patent applications, as well as numerous foreign counterparts to these patents and patent applications. We expect the issued NS2 composition of matter patent in the United States, if the appropriate maintenance, renewal, annuity or other governmental fees are paid, to expire in 2028. It is possible that the term of the composition of matter patent in the United States may be extended up to five additional years under the provisions of the Hatch-Waxman Act. We expect the foreign NS2 composition of matter patents, if the appropriate maintenance, renewal, annuity or other governmental fees are paid, to expire in 2026. We expect other patent applications in the portfolio, if issued, and if the appropriate maintenance, renewal, annuity or other governmental fees are paid, to expire from 2026 to 2034. NS2 composition of matter patents have been issued in Australia, Canada, China, Europe (validated in about 14 member countries), Hong Kong, India, Indonesia, Japan, Mexico, Russia and South Korea. NS2 composition of matter patent claims are pending in Brazil.

Other Intellectual Property Rights

Our marks ALDEYRA THERAPEUTICS and our logo are registered with the United States Patent and Trademark Office.

In February 2010, we entered into a License and Supply Agreement with CyDex Pharmaceuticals, Inc., which was subsequently acquired by Ligand Pharmaceuticals Incorporated. The agreement grants us an exclusive license in the field of use of aldehyde traps in ocular disease (with certain exclusions) to certain excipient-related composition of matter and method of use patents to produce, use or sell our products that contain a certain solubilizing excipient, and allows for us to purchase at a defined cost an excipient used in our eye drop formulation of NS2. We will also be obligated to make milestone payments of up to an aggregate of $2.15 million upon reaching certain development and regulatory milestones in the development of our product. In the event of commercialization of a product containing the excipient, the agreement stipulates royalties at a low single digit percentage of applicable net sales, with an annual cap. The agreement continues in effect until the 7th anniversary of the expiration of all patents licensed under the agreement, which we currently estimate to be April 2036 unless earlier terminated by the parties. CyDex has the right to terminate the agreement if we are in default under the agreement and should fail to cure such default within thirty (30) days (or ten (10) days with respect to any payment obligation). Default includes, among other things, the failure to fulfill certain obligations and meet certain deadlines in connection with the commercialization of our product. We have the right to terminate the agreement at any time by 90 days written notice, or 45 days written notice in the event of a material breach by CyDex.

Confidential Information and Inventions Assignment Agreements

We currently require and will continue to require each of our employees and consultants to execute confidentiality agreements upon the commencement of such individual's employment, consulting or collaborative relationships with us. These agreements provide that all confidential information developed or made known during the course of the relationship with us be kept confidential and not disclosed to third parties except in specific circumstances.

In the case of employees, the agreements provide that all inventions resulting from such individual's work performed for us, utilizing our property or relating to our business and conceived or completed by the individual during employment shall be our exclusive property to the extent permitted by applicable law. Our consulting agreements also provide for assignment to us of any intellectual property resulting from services performed by a consultant for us.

Sales and Marketing

We are currently seeking and will continue to seek to develop and commercialize NS2 for certain diseases in the United States alone, or with partners. Our intended strategy for NS2, if approved, will be to establish NS2 as the prescription product of choice for inflammatory disease and inborn errors of aldehyde metabolism. If approved by regulatory agencies for marketing, our current expectation is that NS2 would initially be sold by us to small groups of physicians that specialize in rare disorders. We may also plan to utilize strategic partners or contract sales forces to assist in the commercialization of NS2 for common diseases, and with such partners, would seek to build awareness in the approved patient populations of the clinical utility of NS2.

Manufacturing

We do not own or operate manufacturing facilities for the production of NS2 or our other product candidates, nor do we have plans to develop our own manufacturing operations in the foreseeable future. We currently depend on third-party contract manufacturers for all of our required raw materials, drug substance and finished drug product for our preclinical research and clinical trials. We have no immediate plans to purchase, erect or otherwise create any manufacturing facilities to be owned by us for any of these purposes, and intend to continue to depend on third-party contract manufacturers for the foreseeable future. We do not have any current contractual relationships for the manufacture of commercial supplies of NS2 or our other product candidates. If NS2 or our other product candidates are approved by any regulatory agency, we intend to enter into agreements with third-party contract manufacturers for the commercial production at such time. We may utilize third-party consultants to manage our manufacturing contractors. We believe that NS2 and other materials needed for the

formulation of NS2 are relatively easy to manufacture, and that multiple suppliers and formulators could be employed for this purpose. Further, the raw materials needed for manufacture of NS2 and other ingredients in NS2 formulations are generally readily available from multiple sources.

Employees

As of December 31, 2015, we had eight full time employees and had engaged a number of key consultants. We intend to increase our employee base in connection with the continuing clinical development of NS2 and other potential product candidates. We expect that a number of consultants previously engaged in development of NS2 will participate in ongoing clinical and manufacturing activities. None of our employees is represented by a labor union. We have not experienced any work stoppages, and we consider our relations with our employees to be very good.

Competition

Aldehyde Modulation

Various academic groups have published on the idea of reducing aldehyde levels, primarily by using compounds with primary amines (certain nitrogen-containing compounds) that react with aldehydes through a well-known chemical process known as the Schiff base reaction. The Schiff base reaction is reversible, and generally the substrates (precursors) and products of the reaction exist in equilibrium such that at any point in time, the aldehyde substrate may be bound or unbound. In this way, Schiff base reactions alone represent reversible and temporary aldehyde binding. Various aldehyde-binding amines have been described, particularly carnosine (a naturally occurring dipeptide), which has a variety of additional potential mechanisms of action unrelated to aldehydes. At least one group has published on the use of certain nitrogen-containing marketed products to temporarily, in a reversible manner, bind retinaldehyde as a potential therapy for retinal disease. We believe that NS2 and other novel aldehyde traps that we have discovered are differentiated from the above approaches in that the chemical structures are novel and the reaction with aldehydes is essentially irreversible *in vivo*, which we believe may result in a more effective means of diminishing aldehyde levels.

At least one company (Aldea Pharmaceuticals) has developed catalysts of aldehyde dehydrogenases in order to facilitate the catabolism of certain aldehydes. Initial applications of this approach appear to include reducing levels of acetaldehyde, a product of ethanol consumption. While we believe that NS2 and other aldehyde traps may also diminish acetaldehyde levels, we do not, in the near future, intend to pursue acetaldehyde reduction following ethanol consumption as a commercial opportunity. We do not believe that catalysis of specific aldehyde dehydrogenases would be likely to benefit disorders where aldehyde dehydrogenase activity is missing due to genetic mutations. Further, we are not aware that any aldehyde dehydrogenase catalyst manifests anti-inflammatory activity.

Other Pharmacotherapies

The pharmaceutical industry is characterized by intense competition and rapid innovation. Our potential competitors include large pharmaceutical and biotechnology companies, specialty pharmaceutical companies, academic institutions, government agencies and research institutions. We believe that the key competitive factors that will affect the development and lead to the commercial success of our product candidates are efficacy, safety, tolerability, and the ability to reduce the dependence on, or the dose of, more toxic products.

Many of our potential competitors have substantially greater financial, technical and human resources than we do and significantly greater experience in the discovery and development of product candidates, obtaining FDA and other regulatory approvals of products and the commercialization of those products. Accordingly, our competitors may be more successful than we may be in obtaining FDA approval for products and achieving widespread market acceptance. Our competitors' products may be more effective, or more effectively marketed

and sold, than any product that we may commercialize and may render our product candidates obsolete or non-competitive before we can recover the expenses of developing and commercializing any of our product candidates. We anticipate that we will face intense and increasing competition as new products enter the market and advanced technologies become available. In addition, the development of new treatment methods for the diseases we are targeting could render our products non-competitive or obsolete.

We expect that, if approved, NS2 will compete with a variety of generic and proprietary pharmaceuticals, depending on the approved indication. Table 2 below summarizes competitive products by indication.

Table 2. Competitive Pharmaceuticals by Indication

Indication	Competitive Products
Allergic Conjunctivitis	Topical antihistamines and corticosteroids, nonsteroidal anti-inflammatory drugs (NSAIDs), Mast cell stabilizers
Noninfectious Anterior Uveitis	Topical corticosteroids
Sjögren-Larsson Syndrome	Retinoids, keratinolytics, and moisturizers
Succinic Semi-Aldehyde Dehydrogenase Deficiency	Anti-epileptics

We believe that there is significant unmet medical need for the diseases that we intend to study. If NS2 is proven to be safe and effective, we believe that NS2 could be used in place of or in addition to current therapies, especially in instances where current therapies are toxic and reducing exposure to such therapies would be desirable. Topical corticosteroids for ocular inflammatory diseases are often associated with toxicity, including corneal ulceration, cataracts, and glaucoma. There is no approved therapy for SLS. We believe that the current non-specific creams and medications for SLS are poorly effective, if effective at all. There is no approved therapy for SSADH Deficiency. We believe that anti-epileptics and other medications used in SSADH Deficiency are inadequate in controlling the symptoms of the disease. While NS2 and other novel aldehyde traps may manifest efficacy and safety advantages over currently available therapies, many such therapies are generic or may be priced considerably lower than the NS2 pricing that we anticipate. Pricing factors may discourage the initial or prolonged use of NS2.

Many drugs are in development for allergic conjunctivitis. Novartis/Alcon (ESBA105, LME636) and EyeGate Pharmaceuticals, Inc. (EGP-437) have conducted or are conducting clinical trials in anterior uveitis. For the diseases we intend to study, there may be other developmental therapies of which we are not aware. We believe that there are no drugs in development specifically for SLS. The National Institute of Neurological Disorders and Stroke is conducting a clinical trial of a GABA receptor antagonist (SGS-742) for SSADH Deficiency.

A myriad of new treatments have been or are being developed to treat inflammatory diseases, and in theory could be used for the treatment of the diseases our products are intended to target. Immune-modulating products include cytokine inhibitors, immune cell receptor inhibitors, and Janus kinase inhibitors. Companies that currently market such therapies include Abbvie, Inc., Johnson & Johnson, UCB Inc. and UCB S.A., Amgen, Inc., Bristol-Myers Squibb Co., and Pfizer, Inc. As these products become used more commonly, they may begin to be used in the diseases that we intend to target, and such products may manifest efficacy and safety advantages over NS2 or our other product candidates.

Government Regulation

FDA Approval Process

In the United States, pharmaceutical products are subject to extensive regulation by the FDA. The Food Drug and Cosmetic Act, or FDCA, and other federal and state statutes and regulations, govern, among other

things, the research, development, testing, manufacture, storage, recordkeeping, approval, labeling, promotion and marketing, distribution, post-approval monitoring and reporting, sampling, and import and export of pharmaceutical products. Failure to comply with applicable FDA or other requirements may subject a company to a variety of administrative or judicial sanctions, such as the FDA's refusal to approve pending applications, a clinical hold, warning letters, recall or seizure of products, partial or total suspension of production, withdrawal of the product from the market, injunctions, fines, civil penalties or criminal prosecution.

FDA approval is required before any new drug, such as a new chemical entity, or a new dosage form, new use or new route of administration of a previously approved product, can be marketed in the United States. The process required by the FDA before a new drug product may be marketed in the United States generally involves:

- completion of preclinical laboratory and animal testing and formulation studies in compliance with the FDA's good laboratory practice, or GLP, regulation;
- submission to the FDA of an IND for human clinical testing which must become effective before human clinical trials may begin in the United States;
- approval by an independent institutional review board, or IRB, at each site where a clinical trial will be performed before the trial may be initiated at that site;
- performance of adequate and well-controlled human clinical trials in accordance with good clinical practices, or GCP, to establish the safety and efficacy of the proposed product candidate for each intended use;
- satisfactory completion of an FDA pre-approval inspection of the facility or facilities at which the product is manufactured to assess compliance with the FDA's cGMP regulations;
- submission to the FDA of a new drug application, or NDA, which must be accepted for filing by the FDA;
- satisfactory completion of an FDA advisory committee review, if applicable;
- payment of user fees, if applicable; and
- FDA review and approval of the NDA.

The preclinical and clinical testing and approval process requires substantial time, effort and financial resources. Preclinical tests include laboratory evaluation of product chemistry, formulation, manufacturing and control procedures and stability, as well as animal studies to assess the toxicity and other safety characteristics of the product. The results of preclinical tests, together with manufacturing information, analytical data and a proposed clinical trial protocol and other information, are submitted as part of an IND to the FDA. Some preclinical testing may continue even after the IND is submitted. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, raises concerns or questions and places the clinical trial on a clinical hold. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. As a result, our submission of an IND may not result in FDA authorization to commence a clinical trial. A separate submission to an existing IND must also be made for each successive clinical trial conducted during product development. Even if the IND becomes effective and the trial proceeds without initial FDA objection, the FDA may stop the trial at a later time if it has concerns, such as if unacceptable safety risks arise.

Further, an independent IRB, covering each site proposing to conduct the clinical trial must review and approve the plan for any clinical trial and informed consent information for subjects before the trial commences at that site and it must monitor the study until completed. The FDA, the IRB, or the sponsor may suspend a clinical trial at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk or for failure to comply with the IRB's requirements, or may impose other conditions.

If a Phase II clinical trial is the subject of discussion at an end-of-Phase II meeting with the FDA, a sponsor may be able to request a Special Protocol Assessment, or SPA, the purpose of which is to reach agreement with the FDA on the design of the Phase III clinical trial protocol design and analysis that will form the primary basis of an efficacy claim. If such an agreement is reached, it will be documented and made part of the administrative record, and it will be binding on the FDA and may not be changed unless the sponsor fails to follow the agreed-upon protocol, data supporting the request are found to be false or incomplete, or the FDA determines that a substantial scientific issue essential to determining the safety or effectiveness of the drug was identified after the testing began. Even if an SPA is agreed to, approval of the NDA is not guaranteed because a final determination that an agreed-upon protocol satisfies a specific objective, such as the demonstration of efficacy, or supports an approval decision, will be based on a complete review of all the data in the NDA.

Clinical trials involve the administration of the investigational new product to human subjects under the supervision of qualified investigators in accordance with GCP requirements, which include the requirement that all research subjects provide their informed consent in writing for their participation in any clinical trial. Sponsors of clinical trials generally must register and report, at the NIH-maintained website ClinicalTrials.gov, key parameters of certain clinical trials. For purposes of an NDA submission and approval, human clinical trials are typically conducted in the following sequential phases, which may overlap or be combined:

- *Phase I:* The product is initially introduced into healthy human subjects or patients and tested for safety, dose tolerance, absorption, metabolism, distribution and excretion and, if possible, to gain an early indication of its effectiveness.
- *Phase II:* The product is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted indications and to determine dose tolerance and optimal dosage. Multiple Phase II clinical trials may be conducted by the sponsor to obtain information prior to beginning larger and more extensive clinical trials.
- *Phase III:* These are commonly referred to as pivotal studies. When Phase II evaluations demonstrate that a dose range of the product appears to be effective and has an acceptable safety profile, trials are undertaken in large patient populations to further evaluate dosage, to obtain additional evidence of clinical efficacy and safety in an expanded patient population at multiple, geographically-dispersed clinical trial sites, to establish the overall risk-benefit relationship of the product and to provide adequate information for the labeling of the product.
- *Phase IV:* In some cases, the FDA may condition approval of an NDA for a product candidate on the sponsor's agreement to conduct additional clinical trials to further assess the product's safety and effectiveness after NDA approval. Such post-approval trials are typically referred to as Phase IV studies.

The results of product development, preclinical studies and clinical trials are submitted to the FDA as part of an NDA. NDAs must also contain extensive information relating to the product's pharmacology, chemistry, manufacturing and controls and proposed labeling, among other things.

Orphan Drug Designation

Under the Orphan Drug Act, the FDA may grant orphan drug designation to a drug intended to treat a rare disease or condition which is defined as one affecting fewer than 200,000 individuals in the United States or more than 200,000 individuals where there is no reasonable expectation that the product development cost will be recovered from product sales in the United States. Orphan drug designation must be requested before submitting an NDA and does not convey any advantage in, or shorten the duration of, the regulatory review and approval process.

If an orphan drug-designated product subsequently receives the first FDA approval for the disease for which it was designed, the product will be entitled to seven years of product exclusivity, which means that the FDA may not approve any other applications to market the same drug for the same indication, except in very limited circumstances, for seven years. If a competitor obtains approval of the same drug, as defined by the FDA, or if our product candidate is determined to be contained within the competitor's product for the same indication or disease, the competitor's exclusivity could block the approval of our product candidate in the designated orphan indication for seven years.

For some products, the FDA may require a risk evaluation and mitigation strategy, or REMS, which could include measures imposed by the FDA such as prescribing restrictions, requirements for post-marketing studies or certain restrictions on distribution and use. Under federal law, the submission of most NDAs is additionally subject to a substantial application user fee, and the manufacturer and/or sponsor under an approved NDA are also subject to annual product and establishment user fees. The FDA has 60 days from its receipt of an NDA to determine whether the application will be accepted for filing based on the agency's threshold determination that it is sufficiently complete to permit substantive review. The FDA may request additional information rather than accept an NDA for filing. In this event, the NDA must be resubmitted with the additional information and is subject to payment of additional user fees. The resubmitted application is also subject to review before the FDA accepts it for filing.

Once the submission has been accepted for filing, the FDA begins an in-depth substantive review. Under the Prescription Drug User Fee Act, or PDUFA, the FDA agrees to specific performance goals for NDA review time through a two-tiered classification system, Standard Review and Priority Review. Standard Review NDAs have a goal of being completed within a ten-month timeframe. A Priority Review designation is given to products that offer major advances in treatment, or provide a treatment where no adequate therapy exists. The goal for completing a Priority Review is six months.

It is likely that our product candidates will be granted a Standard Review. The review process may be extended by the FDA for three additional months to consider certain information or obtain clarification regarding information already provided in the submission. The FDA may refer applications for novel products or products which present difficult questions of safety or efficacy to an advisory committee for review, evaluation and recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendation of an advisory committee, but it considers such recommendations carefully when making decisions. In addition, for combination products, the FDA's review may include the participation of both the FDA's Center for Drug Evaluation and Research and the FDA's Center for Devices and Radiological Health, which may complicate or prolong the review.

Before approving an NDA, the FDA may inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP

After the FDA evaluates the NDA and, in some cases, the related manufacturing facilities, it may issue an approval letter or a Complete Response Letter, or CRL, to indicate that the review cycle for an application is complete and that the application is not ready for approval. CRLs generally outline the deficiencies in the submission and may require substantial additional testing or information in order for the FDA to reconsider the application. Even with submission of this additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval. If and when the deficiencies have been addressed to the FDA's satisfaction, the FDA will typically issue an approval letter. An approval letter authorizes commercial marketing of the product with specific prescribing information for specific indications.

Once issued, the FDA may withdraw product approval if ongoing regulatory requirements are not met or if safety problems are identified after the product reaches the market. In addition, the FDA may require post-approval testing, including Phase IV studies, and surveillance programs to monitor the effect of approved

products which have been commercialized, and the FDA has the power to prevent or limit further marketing of a product based on the results of these post-marketing programs. Products may be marketed only for the approved indications and in accordance with the provisions of the approved label, and, even if the FDA approves a product, it may limit the approved indications for use for the product or impose other conditions, including labeling or distribution restrictions or other risk-management mechanisms, such as a Black Box Warning, which highlights a specific warning (typically life-threatening), or a REMS program. Further, if there are any modifications to the product, including changes in indications, labeling, or manufacturing processes or facilities, a company may be required to submit and obtain FDA approval of a new or supplemental NDA, which may require such company to develop additional data or conduct additional preclinical studies and clinical trials.

Post-Approval Requirements

Once an NDA is approved, a product will be subject to pervasive and continuing regulation by the FDA, including, among other things, requirements relating to product/device listing, recordkeeping, periodic reporting, product sampling and distribution, advertising and promotion and reporting of adverse experiences with the product.

In addition, drug manufacturers and other entities involved in the manufacture and distribution of approved drugs are required to register their establishments with the FDA and state agencies, and are subject to periodic unannounced inspections by the FDA and these state agencies for compliance with cGMP requirements. Changes to the manufacturing process are strictly regulated and generally require prior FDA approval before being implemented. FDA regulations also require investigation and correction of any deviations from cGMP and impose reporting and documentation requirements upon us and any third-party manufacturers that we may decide to use. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain cGMP compliance.

Once an approval is granted, the FDA may withdraw the approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in, among other things:

- restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;
- fines, warning letters or holds on post-approval clinical trials;
- refusal of the FDA to approve pending applications or supplements to approved applications, or suspension or revocation of product license approvals;
- product seizure or detention, or refusal to permit the import or export of products; or
- injunctions or the imposition of civil or criminal penalties.

The FDA strictly regulates marketing, labeling, advertising and promotion of products that are placed on the market. While physicians may prescribe for off label uses, manufacturers may only promote for the approved indications and in accordance with the provisions of the approved label. 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 liability, both at the federal and state levels.

The Food and Drug Administration Amendments Act of 2007 gave the FDA the authority to require a Risk Evaluation and Mitigation Strategy, or REMS, from manufacturers to ensure that the benefits of a drug or biological product outweigh its risks. In determining whether a REMS is necessary, FDA must consider the size of the population likely to use the drug, the seriousness of the disease or condition to be treated, the expected

benefit of the drug, the duration of treatment, the seriousness of known or potential adverse events, and whether the drug is a new molecular entity. If the FDA determines a REMS is necessary, the drug sponsor must agree to the REMS plan at the time of approval. A REMS may be required to include various elements, such as a medication guide or patient package insert, a communication plan to educate health care providers of the drug's risks, limitations on who may prescribe or dispense the drug, or other measures that the FDA deems necessary to assure the safe use of the drug. In addition, the REMS must include a timetable to assess the strategy at 18 months, three years, and seven years after the strategy's approval. The FDA may also impose a REMS requirement on a drug already on the market if the FDA determines, based on new safety information, that a REMS is necessary to ensure that the drug's benefits outweigh its risks.

Patent Term Restoration and Marketing Exclusivity

Depending upon the timing, duration and specifics of FDA approval of the use of our drug candidates, some of our United States patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Act. The Hatch-Waxman Act permits 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, patent term restoration cannot extend the remaining term of a patent beyond a total of 14 years from the product's approval date. The patent term restoration period is generally one-half the time between the effective date of an IND, and the submission date of an NDA, plus the time between the submission date of an NDA and the approval of that application. Only one patent applicable to an approved drug is eligible for the extension and the application for extension must be made prior to expiration of the patent. The United States Patent and Trademark Office, in consultation with the FDA, reviews and approves the application for any patent term extension or restoration. In the future, we intend to apply for restorations of patent term for some of our currently owned or licensed patents to add patent life beyond their current expiration date, depending on the expected length of clinical trials and other factors involved in the submission of the relevant NDA.

Market exclusivity provisions under the FDCA also can delay the submission or the approval of certain applications. The FDCA provides a five-year period of non-patent marketing exclusivity within the United States to the first applicant to gain approval of an NDA for a new chemical entity. A drug is a new chemical entity if the FDA has not previously approved any other new drug containing the same active moiety, which is the molecule or ion responsible for the action of the drug substance. During the exclusivity period, the FDA may not accept for review an abbreviated new drug application, or ANDA, or a 505(b)(2) NDA submitted by another company for another version of such drug where the applicant does not own or have a legal right of reference to all the data required for approval. However, an application may be submitted after four years if it contains a certification of patent invalidity or non-infringement. The FDCA also provides three years of marketing exclusivity for an NDA, 505(b)(2) NDA or supplement to an approved NDA if new clinical investigations, other than bioavailability studies, that were conducted or sponsored by the applicant are deemed by the FDA to be essential to the approval of the application, for example, for new indications, dosages or strengths of an existing drug. This three-year exclusivity covers only the conditions associated with the new clinical investigations and does not prohibit the FDA from approving ANDAs for drugs containing the original active agent. Five-year and three-year exclusivity will not delay the submission or approval of a full NDA; however, an applicant submitting a full NDA would be required to conduct or obtain a right of reference to all of the preclinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and effectiveness.

Manufacturing Requirements

We and our third-party manufacturers must comply with applicable FDA regulations relating to FDA's cGMP regulations and, if applicable, quality system regulation requirements for medical devices. The cGMP regulations include requirements relating to, among other things, organization of personnel, buildings and facilities, equipment, control of components and drug product containers and closures, production and process controls, packaging and labeling controls, holding and distribution, laboratory controls, records and reports, and

returned or salvaged products. The manufacturing facilities for our products must meet cGMP requirements to the satisfaction of the FDA pursuant to a pre-approval inspection before we can use them to manufacture our products. We and our third-party manufacturers are also subject to periodic unannounced inspections of facilities by the FDA and other authorities, including procedures and operations used in the testing and manufacture of our products to assess our compliance with applicable regulations. Failure to comply with statutory and regulatory requirements subjects a manufacturer to possible legal or regulatory action, including, among other things, warning letters, voluntary corrective action, the seizure of products, injunctions, consent decrees placing significant restrictions on or suspending manufacturing operations and civil and criminal penalties.

Other Regulatory Requirements

We are also subject to various laws and regulations regarding laboratory practices, the experimental use of animals, and the use and disposal of hazardous or potentially hazardous substances in connection with our research. In each of these areas, as above, the FDA has broad regulatory and enforcement powers, including, among other things, the ability to levy fines and civil penalties, suspend or delay issuance of approvals, seize or recall products, and withdraw approvals, any one or more of which could have an adverse effect on our ability to operate our business and generate revenues. Compliance with applicable environmental laws and regulations is expensive, and current or future environmental regulations may impair our research, development and production efforts, which could harm our business, operating results and financial condition.

Research and Development Expenses

Substantially all of our research and development expenses incurred to date have been related to the development of NS2. Our research and development expenses totaled $7.6 million for the year ended December 31, 2015 and $3.7 million for the year ended December 31, 2014.

We anticipate that we will incur additional research and development expenses in the future as we evaluate and possibly pursue the development of our product candidates for additional indications, or develop additional product candidates.

We recognize research and development expenses as they are incurred. Our research and development expenses consist primarily of:

- salaries and related expenses for personnel;
- fees paid to consultants and contract research organizations in conjunction with independently monitoring clinical trials and acquiring and evaluating data in conjunction with clinical trials, including all related fees such as investigator grants, patient screening, lab work and data compilation and statistical analysis;
- costs incurred with third parties related to the establishment of a commercially viable manufacturing process for our product candidates;
- costs related to production of clinical materials, including fees paid to contract manufacturers;
- costs related to upfront and milestone payments under in-licensing agreements;
- costs related to compliance with FDA regulatory requirements;
- consulting fees paid to third-parties involved in research and development activities; and
- costs related to stock options or other stock-based compensation granted to personnel in development functions.

We expense both internal and external development costs as they are incurred.

We expect that a large percentage of our research and development expenses in the future will be incurred in support of our current and future non-clinical, preclinical and clinical development programs. These expenditures are subject to numerous uncertainties in terms of both their timing and total cost to completion. We expect to continue to develop stable formulations of our product candidates, test such formulations in preclinical studies for toxicology, safety and efficacy and to conduct clinical trials for each product candidate. We anticipate funding clinical trials for our product candidates ourselves, but we may engage collaboration partners at certain stages of clinical development. As we obtain results from clinical trials, we may elect to discontinue or delay clinical trials for certain product candidates or programs in order to focus our resources on more promising product candidates or programs. Completion of clinical trials by us or our future collaborators may take several years or more, the length of time generally varying with the type, complexity, novelty and intended use of a product candidate. The costs of clinical trials may vary significantly over the life of a project owing to but not limited to the following:

- the number of sites included in the trials;
- the length of time required to enroll eligible patients;
- the number of patients that participate in the trials;
- the number of doses that patients receive;
- the drop-out or discontinuation rates of patients;
- the duration of patient follow-up;
- the phase of development the product candidate is in; and
- the efficacy and safety profile of the product candidate.

Our expenses related to clinical trials are based on estimates of the services received and efforts expended pursuant to contracts with multiple research institutions and contract research organizations that conduct and manage clinical trials on our behalf. The financial terms of these agreements are subject to negotiation and vary from contract to contract and may result in uneven payment flows. Generally, these agreements set forth the scope of work to be performed at a fixed fee or unit price. Payments under the contracts depend on factors such as the successful enrollment of patients or the completion of clinical trial milestones. Expenses related to clinical trials generally are accrued based on contracted amounts applied to the level of patient enrollment and activity according to the protocol. If timelines or contracts are modified based upon changes in the clinical trial protocol or scope of work to be performed, we modify our estimates of accrued expenses accordingly on a prospective basis.

None of our product candidates have received FDA or foreign regulatory marketing approval. In order to grant marketing approval, a health authority such as the FDA or foreign regulatory agencies must conclude that clinical and preclinical data establish the safety and efficacy of our product candidates with an appropriate benefit to risk profile relevant to a particular indication, and that the product can be manufactured under cGMP in a reproducible manner to deliver the product's intended performance in terms of its stability, quality, purity and potency. Until our submission is reviewed by a health authority, there is no way to predict the outcome of their review. Even if the clinical studies meet their predetermined primary endpoints, and a registration dossier is accepted for filing, a health authority could still determine that an appropriate benefit to risk relationship does not exist for the indication that we are seeking.

We cannot forecast with any degree of certainty which of our product candidates will be subject to future collaborations or how such arrangements would affect our development plan or capital requirements.

As a result of the uncertainties discussed above, we are unable to determine the duration and completion costs of our development projects or when and to what extent we will receive cash inflows from the commercialization and sale of an approved product candidate.

Corporate Information

We were incorporated in the state of Delaware on August 13, 2004 as Neuron Systems, Inc. On December 20, 2012, we changed our name to Aldexa Therapeutics, Inc. and on March 17, 2014, we changed our name to Aldeyra Therapeutics, Inc. Our principal executive offices are located at 131 Hartwell Avenue, Suite 320, Lexington, Massachusetts 02421. Our telephone number is (781) 761-4904. Our website address is www.aldeyra.com. Information contained on our website is not incorporated by reference into this annual report on Form 10-K, and you should not consider information contained on our website to be part of this annual report on Form 10-K or in deciding whether to purchase shares of our common stock. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on the Investors portion of our website at http://ir.aldeyra.com/ as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

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 annual report on Form 10-K, 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 NS2 and our other product candidates. Net loss attributable to common stockholders for the years ended December 31, 2015 and 2014 was approximately $12.1 million and $9.6 million, respectively. As of December 31, 2015, we had total stockholders' equity of $24.9 million and an accumulated deficit of $58.6 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 NS2 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 NS2 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, NS2. We cannot be certain that we will be able to obtain regulatory approval for, or successfully commercialize, NS2.

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: NS2, 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 NS2. We will need to raise sufficient funds for, and successfully enroll and complete, our current and planned clinical trials of NS2. 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 NS2;
- we may not be able to provide evidence of safety and efficacy for NS2;
- we may not be able to timely 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 results of later phases of our clinical trials may not confirm the results of our earlier trials, particularly because the safety of NS2 has not been confirmed in a diseased population nor has NS2 been administered to humans in any other dosage form other than an eye drop and a topical dermatologic formulation;
- 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 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 NS2;
- if approved for certain diseases, NS2 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 NS2; 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 New Drug Application (NDA) to the FDA and even fewer are approved for commercialization. Furthermore, even if we do receive regulatory approval to market NS2, 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 NS2 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, NS2, 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 received regulatory approval for any of our products. 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 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 NS2, 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, 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 outcome of clinical trials of NS2 in one indication is unlikely to predict the outcome of clinical trials with NS2 in other indications.

Because NS2 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. NS2 administered as an eye drop has completed a Phase I clinical trial in healthy volunteers. Prior to the commencement of our Phase II clinical trials in 2015, NS2 had not been administered to humans by any other route. Further, NS2 has not demonstrated efficacy in humans for any disease other than our Phase IIa clinical trial of topical ocular NS2 in subjects with induced allergic conjunctivitis. Because NS2 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 NS2 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 NS2 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 Sjögren-Larsson Syndrome (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. Due to expected low systemic exposure of NS2 when administered topically to the skin, it is unlikely that NS2 will significantly affect the non-dermatologic conditions of SLS. Lack of effect in neurologic and ocular manifestations of SLS may negatively impact regulatory discussions with the FDA and may also negatively impact reimbursement, pricing and commercial acceptance of NS2, if it is approved.

NS2 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.

NS2 and the activities associated with its development and potential commercialization, including its 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.

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;
- 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;
- 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.

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 NS2 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 trial at the rate we expect;
- subjects choosing an alternative treatment for the indication for which we are developing NS2 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 NS2, 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 NS2 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 NS2 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 NS2, 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. NS2, 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 stinging noted in the NS2 treatment arm of our Phase IIa clinical trial in allergic conjunctivitis, with two patients out of the 50 patients in the treatment arm dropping out of the trial during treatment. If any of our product candidates cause unacceptable adverse events in clinical trials, we may not be able to obtain regulatory approval or commercialize such product candidate.

Final marketing approval for NS2 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

NS2 or our other product candidates and we cannot, therefore, predict the timing of any future revenue. We cannot commercialize NS2 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 NS2 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 NS2 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 NS2 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 NS2 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 NS2 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 NS2 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 NS2 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.

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 NS2 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. 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.

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 from the FDA may be difficult or not possible to obtain, and if we are unable to obtain orphan drug designation for NS2 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. We believe that NS2 will qualify as an orphan drug for SLS and 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 from the FDA for NS2. If we are unable to secure orphan drug status for NS2 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 NS2 and our other product candidates.

As of December 31, 2015, we had only eight 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.

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 NS2 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 NS2 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 NS2 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. 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 NS2 or our other product candidates. Noninfectious anterior uveitis and other inflammatory diseases may be treated with general immune suppressing therapies, including corticosteriods, 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 NS2 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 NS2 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 NS2 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 NS2 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 four 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; David J. Clark, our Chief Medical Officer; and Scott L. Young, our Chief Operating 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 December 31, 2015, we only had eight full-time employees, we will need to grow our organization to continue development and pursue the potential commercialization of NS2 and our other product candidates, as well as function as a public company. As we seek to advance NS2 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 Health Care Reform Law, 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 Health Care Reform Law revised the definition of "average manufacturer price" for reporting purposes, which could increase the amount of Medicaid drug rebates to states. Further, beginning in 2011, the Health Care Reform Law 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 Health Care Reform Law 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.

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.

If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of NS2 or our other product candidates.

We face an inherent risk of product liability as a result of the clinical testing of NS2 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 NS2 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 NS2 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 NS2 or our other product candidates; and
- a decline in our stock price.

We maintain product liability insurance with $3.0 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 NS2 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 NS2 and our other product candidates. Our ability to obtain clinical supplies of NS2 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 NS2, 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 NS2 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 NS2 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 NS2 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 NS2 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 NS2 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. In the case of a continuing event of default under the loan, Pacific Western, the lender, 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 December 31, 2015, we had sufficient cash and cash equivalents to repay all obligations owed to Pacific Western 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 may elect to commence and prosecute bankruptcy and/or other insolvency proceedings, or proceed against the collateral granted to Pacific Western 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 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 a technology license that is important to our business and we may enter into additional licenses in the future. We currently hold a license from Ligand Pharmaceuticals Incorporated that covers use of an excipient in our eye drops. This license imposes various commercial, contingent payment, royalty, insurance, indemnification, and 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 would lose valuable rights under our collaboration agreements and our ability to develop product candidates.

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 NS2 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. As of March 2014, we adopted a new brand, Aldeyra Therapeutics. Our marks ALDEYRA THERAPEUTICS and our logo are registered with the USPTO. 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 NS2 in the United States and other countries, filing, prosecuting and defending patents on NS2 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 NS2 and our other product candidates.

We will require substantial future capital in order to complete the remaining clinical development for NS2 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 NS 2 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 NS2 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 NS2 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 NS2 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 NS2 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. 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. 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 NS2 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 December 31, 2015. As of December 31, 2015 and December 31, 2014, the outstanding principal balance under the Credit Facility was approximately $1.4 million. Under the terms of the Credit Facility, (i) $2,000,000 was made available on November 10, 2014; and (ii) $3,000,000 (the Tranche B Loan) is to be made available to us following the satisfaction of certain conditions, including receipt of positive phase 2 data (as determined by our Board of Directors) in either SLS or noninfectious anterior uveitis. However, we can provide no assurances that we will satisfy the conditions for the Tranche B Loan. 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. In the past, Aldeyra has undergone two ownership changes. However, our management believes that we had sufficient "Built-In-Gain" to offset the Section 382 of the Code limitation generated by the ownership changes. Any future ownership changes 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 NS2 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.

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 NS2, 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 December 31, 2015, our executive officers, directors and greater than 5% stockholders, in the aggregate, own approximately 71.0% 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 for up to five years, 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 $1.0 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.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

Not applicable.

ITEM 2. *PROPERTIES*

Our offices are located in Lexington, Massachusetts. As of December 31, 2015, we had leased approximately 3,700 square feet of office space pursuant to a lease that expires in 2017. In March 2016, we leased approximately 3,188 square feet of additional office space in the same building pursuant to a sublease that expires in September 2017. Management believes that this office space is suitable and adequate to meet our anticipated near-term needs. We anticipate that following the expiration of the leases, additional or alternative space will be available at commercially reasonable terms.

ITEM 3. *LEGAL PROCEEDINGS*

From time to time, we may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. We currently are not a party to any threatened or pending material litigation and do not have contingency reserves established for any litigation liabilities. However, third parties might allege that we are infringing their patent rights or that we are otherwise violating their intellectual property rights, including trade names and trademarks. Such third parties may resort to litigation. We accrue contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

ITEM 4. *MINE SAFETY DISCLOSURES*

Not applicable.

PART II

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

Market Price of Our Common Stock

Our common stock has been trading on The NASDAQ Capital Market (NASDAQ) under the symbol "ALDX" since our IPO on May 1, 2014. Prior to that time, there was no established public trading market for our common stock. The following table sets forth, for the periods indicated, the range of high and low per share sale prices of our common stock as reported by NASDAQ.

Year Ended December 31, 2015	High	Low
First quarter 2015	$12.30	$6.90
Second quarter 2015	$11.79	$6.64
Third quarter 2015	$10.90	$5.35
Fourth quarter 2015	$ 7.70	$4.84

Year Ended December 31, 2014	High	Low
Second quarter 2014 (from May 1, 2014)	$ 8.22	$6.00
Third quarter 2014	$ 7.63	$3.00
Fourth quarter 2014	$11.99	$5.39

Holders of Record

As of December 31, 2015 there were 18 holders of record of our common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividends

We have not declared or paid any cash dividends on our common stock since our inception. We do not plan to pay dividends in the foreseeable future. Under our credit facility, we have agreed not to pay any dividends so long as it has any outstanding obligations thereunder. We currently intend to retain all available funds and any future earnings, if any, for use in the operation of our business. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant, and subject to the restrictions contained in our current or future financing instruments. Consequently, stockholders will need to sell shares of our common stock to realize a return on their investment, if any.

ITEM 6. *SELECTED FINANCIAL DATA*

As a smaller reporting company, we are not required to provide this information.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and the related notes appearing at the end of this annual report on Form 10-K. Some of the information contained in this discussion and analysis, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks, uncertainties and assumptions. You should read the "Risk Factors" and "Special Note Regarding Forward-Looking Statements" sections of this annual report on Form 10-K for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

We are a biotechnology company focused primarily on the development of new products for diseases caused by inflammation and inborn errors of metabolism that are thought to be related to naturally occurring toxic and pro-inflammatory chemical species known as aldehydes. We have developed a series of aldehyde traps, molecules that are designed specifically to sequester and allow for the degradation of aldehydes. Our most advanced aldehyde trap, NS2, is a novel product candidate that we are developing for the treatment of:

- 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 severe inflammatory eye disease that can lead to blindness;
- Sjögren-Larsson Syndrome, 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 Deficiency, a rare inborn error of metabolism caused by genetic mutations in an aldehyde-metabolizing enzyme that lead to severe neurological disease.

In 2015, we began clinical testing of NS2 in diseases where we believe aldehyde trapping may improve symptoms and slow or prevent disease progression. In February 2016, we announced that the results of a randomized, parallel-group, double-masked, vehicle-controlled Phase IIa clinical trial of NS2 ophthalmic solution in patients with allergic conjunctivitis demonstrated statistically and clinically significant activity of NS2 over vehicle in reducing ocular itching and tearing. In the second quarter of 2016, we expect to report results of our randomized, parallel-group, double-masked, vehicle-controlled Phase II clinical trial of NS2 ophthalmic solution in patients with noninfectious anterior uveitis. In the second or third quarter of 2016, we expect to report results of our randomized, parallel-group, double-masked, vehicle-controlled Phase II clinical trial of a dermatologic formulation of NS2 for the treatment of the skin manifestations of SLS. By the end of 2016, we expect to initiate Phase I clinical testing of a systemic formulation of NS2 in preparation for potential Phase II clinical trials in SLS, SSADH Deficiency, and severe inflammatory crises. We are also developing aldehyde traps different from NS2 that have the potential to treat diseases other than those described above. All of our development timelines could be subject to adjustment depending on recruitment rate, regulatory agency review, and other factors that could delay the initiation and completion of clinical trials.

NS2 has been tested in a variety of *in vitro* and preclinical models, and has demonstrated efficacy in trapping aldehydes, diminishing inflammation, reducing healing time, protecting key cellular constituents from aldehyde damage, and lowering the potential for scarring or fibrosis. In cell models of SLS, NS2 has demonstrated trapping of fatty aldehydes, and in a knock-out mouse model of SSADH Deficiency, NS2 has demonstrated trapping of succinic semi-aldehyde in key organs. NS2 has completed a variety of toxicity studies in animals and appears generally safe and well tolerated.

We have no products approved for sale, and we have not generated any revenue from product sales or other arrangements. 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 May 2014, we closed our IPO (Initial Public Offering) whereby we received net proceeds of approximately $10.0 million, after underwriter discounts, expenses and commissions, through the sale of 1,500,000 shares of our common stock at $8.00 per share. In January 2015, we received net proceeds of approximately $9.0 million, after placement agent fees and expenses from two private placements of common stock and warrants to purchase common stock. In addition, in May 2015, we raised approximately $19.5 million, after deducting underwriting discounts and commissions and other offering expenses through the issuance and sale of 2,822,500 shares of common stock in a follow-on public offering, including shares sold pursuant to the underwriters exercise of their option to purchase additional shares of common stock.

We will need to raise additional capital in the form of debt or equity or through partnerships to fund additional development of NS2 or other aldehyde traps, and we may in-license, acquire or invest in complementary businesses or products. In addition, as capital resources permit, we may augment or otherwise modify the clinical development plan described herein.

Research and development expenses

We expense all 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 NS2. We expect our research and development expenses to increase for the foreseeable future as we advance NS2 and other compounds through preclinical and clinical development, including the conduct of our planned clinical trials. 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 NS 2 and our future 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 number of patients that participate in the trials;
- the number of doses that patients receive;
- the cost of 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 NS2 to be commercially available, if at all, for the next several years.

General and administrative expenses

General and administrative expenses consist primarily of salaries and related benefits, including stock-based compensation. Our general and administrative expenses consisted primarily of payroll expenses for our full-time employees during the years ended December 31, 2015 and 2014. 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, interest expense incurred on our outstanding debt and changes in the fair value of our derivative liabilities. There were no derivative liabilities outstanding as of December 31, 2015.

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 December 31, 2015, comprehensive loss is equal to our net loss of $12.1 million and an unrealized loss on marketable securities of $8,000. For December 31, 2014, comprehensive loss is equal to net loss of $5.2 million

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which we have prepared in accordance with generally accepted accounting principles in the United States (US GAAP). The preparation of these 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 the financial statements, as well as the expenses during the reporting periods. We evaluate these estimates and judgments on an ongoing basis. 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 readily apparent from other sources. Our actual results may differ materially from these estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in Note 2 to our financial statements appearing elsewhere in this annual report on Form 10-K, we believe that the following accounting policies are the most critical for fully understanding and evaluating our financial condition and results of operations.

Accrued Research and Development Expenses

As part of the process of preparing financial statements, we are required to estimate and accrue research and development expenses. This process involves the following:

- communicating with our applicable personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of actual cost;

- estimating and accruing expenses in our financial statements as of each balance sheet date based on facts and circumstances known to us at the time; and
- periodically confirming the accuracy of our estimates with selected service providers and making adjustments, if necessary.

Examples of estimated research and development expenses that we accrue include:

- fees paid to investigative sites in connection with clinical studies;
- fees paid to contract manufacturing organizations in connection with non-clinical development, preclinical research, and the production of clinical study materials; and
- professional service fees for consulting and related services.

We base our expense accruals related to non-clinical development, preclinical studies, and clinical trials on our estimates of the services received and efforts expended pursuant to contracts with organizations/consultants that conduct and manage clinical studies on our behalf. The financial terms of these agreements vary from contract to contract and may result in uneven payment flows. Payments under some of these contracts may depend on many factors, such as the successful enrollment of patients, site initiation and the completion of clinical study milestones. Our service providers invoice us monthly in arrears for services performed. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If we do not identify costs that we have begun to incur or if we underestimate or overestimate the level of services performed or the costs of these services, our actual expenses could differ from our estimates. To date, we have not experienced significant changes in our estimates of accrued research and development expenses after a reporting period. However, due to the nature of estimates, we cannot assure you that we will not make changes to our estimates in the future as we become aware of additional information about the status or conduct of our clinical studies and other research activities.

Stock-Based Compensation

Stock-based compensation expense represents the grant date fair value of restricted stock awards and stock option grants, which are being recognized over the requisite service period of the awards (usually the vesting period) on a straight-line basis, net of estimated forfeitures. For stock option grants with performance-based milestones, the expense is recorded over the remaining service period after the point when the achievement of the milestone is probable or the performance condition has been achieved. We generally estimate the fair value of stock option grants using the Black-Scholes option pricing model. If vesting is based on market-based milestones, we perform Monte Carlo simulations to estimate the timing and number of shares that are most likely to vest and record the expense on a straight-line basis over the estimated period the milestone will be achieved. We account for stock options to non-employees using the fair value approach. Stock options to non-employees are subject to periodic revaluation over their vesting terms.

We generally estimate the fair value of our stock-based awards to employees and non-employees using the Black-Scholes option pricing model, which requires the input of highly subjective assumptions, including (a) the risk-free interest rate, (b) the expected volatility of our stock, (c) the expected term of the award and (d) the expected dividend yield. Due to the lack of a public market for the trading of our common stock and a lack of company specific historical and implied volatility data, we have based our estimate of expected volatility on the historical volatility of a group of similar companies that are publicly traded. For these analyses, we have selected companies with comparable characteristics to ours including enterprise value, risk profiles, position within the industry, and with historical share price information sufficient to meet the expected life of the stock-based awards. We compute the historical volatility data using the daily closing prices for the selected companies' shares over approximately the past four years. The resulting volatility estimate was 89%, and we have employed this value throughout our calculations. We will continue to apply this process until a sufficient amount of historical information regarding the volatility of our own stock price becomes available. We have estimated the

expected life of our employee stock options using the “simplified” method, whereby, the expected life equals the average of the vesting term and the original contractual term of the option for service-based awards. The risk-free interest rates for periods within the expected life of the option are based on the yields of zero-coupon United States Treasury securities.

The assumptions used in the Black-Scholes option pricing model to determine the fair value of employee stock option grants in 2015 and 2014 were as follows:

	December 31, 2015	December 31, 2014
Expected dividend yield	0%	0%
Anticipated volatility	88.57%	88.57%
Estimated stock price	$7.19 - $8.37	$4.99 - $8.00
Exercise price	$7.19 - $8.37	$4.99 - $8.00
Expected life (years)	5.50 - 6.25	6.00 - 6.25
Risk free interest rate	0.27% - 1.91%	1.92% - 2.03%

Other Information

Net Operating Loss Carryforwards

As of December 31, 2015, we have Federal and State income tax net operating loss (“NOL”) carryovers of approximately $26.1 million and $23.3 million, respectively, which will expire at various dates through 2035. As of December 31, 2015 we have Federal and State tax carryovers of credits for increasing research activities (“R&D tax credits”) of approximately $623,000 and $67,000, respectively, which will expire at various dates through 2035.

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. In the past, we have undergone two ownership changes. However, our management believes that any limitation had sufficient “Built-In-Gain” to offset the Section 382 of the Code limitation generated by the ownership changes. Any future ownership changes may cause our existing tax attributes to have additional limitations.

Recent Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-17 “Income Taxes: Balance Sheet Classification of Deferred Taxes” (“ASU 2015-17”). To simplify the presentation of deferred income taxes, the amendments in this update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This update is required to be effective for all public Companies for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted. We do not believe that ASU 2015-17 will have a material impact on our financial statements.

In February of 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)” (“ASU 2016-02”). Under ASU 2016-2, an entity will be required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASU 2016-02 offers specific accounting guidance for a

lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. For public companies, ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. We are in the process of evaluating the future impact of ASU 2016-02 on our financial position, results of operations and cash flows.

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. ASU 2015-03 is effective for us in the first quarter of fiscal year 2017, with early adoption permitted. ASU 2015-03 should be applied on a retrospective basis to each individual period presented. Upon implementation, the change in reporting debt issuance costs will require us to reclassify any deferred financing costs from an asset to a reduction of the reported debt balance. The application of ASU 2015-03 is expected to reduce our total assets and liabilities but is not expected to have an impact on stockholders' equity, results of operations or cash flows.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"), to provide guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. We early adopted ASU 2014-15 in the year ended December 31, 2015, and it did not have an impact on our financial statements.

JOBS Act

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, only two years of audited financial statements in addition to any required unaudited interim financial statements with correspondingly reduced "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosure, 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 or information statements, exemptions from the requirements of holding a non-binding advisory vote on executive compensation and seeking stockholder approval of any golden parachute payments not previously approved and not being required to adopt certain accounting standards until those standards would otherwise apply to private companies.

As an emerging growth company, we have irrevocably elected to not take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards and, as a result, will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies.

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 related possible regulatory approvals. Our limited operating history makes predictions of future operations difficult or impossible. Since our inception, we have incurred significant losses.

Comparison of Years Ended December 31, 2015 and 2014

Net loss attributable to common stockholders. Net loss attributable to common stockholders for the years ended December 31, 2015 and 2014 was approximately $12.1 million and $9.6 million, respectively. As of December 31, 2015, we had total stockholders' equity of $24.9 million. Losses have resulted principally from costs incurred in our clinical trials, research and development programs and from our general and administrative expenses.

Research and development expenses. Research and development expenses were $7.6 million for the year ended December 31, 2015 compared to $3.7 million for the same period in 2014. The increase of $3.9 million is primarily related to the increase in our external research and development expenditures, including clinical and an increase in personnel costs associated with an increase in headcount.

General and administrative expenses. General and administrative expenses were $4.4 million for the year ended December 31, 2015, compared to $3.6 million for the year ended 2014. The increase of approximately $852,000 is primarily related to an increase in legal costs, insurance costs, personnel costs due to increased headcount and other costs associated with being a public company.

Other income (expense). Total other income (expense) was approximately $0.1 million for the year ended December 31, 2015 and consisted of interest expense related to our credit facility partially offset by interest income. Total other income (expense) was $2.1 million for the same period in 2014 and primarily consisted of the change in fair market value of preferred stock warrant liabilities.

Upon our Initial Public Offering in May 2014, all redeemable convertible preferred stock was converted into common stock and the derivative warrant liabilities were net exercised and converted into common stock.

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. We have incurred operating losses since inception and negative cash flows from operating activities in devoting substantially all of our efforts towards research and development. At December 31, 2015, we had total stockholders' equity of approximately $24.9 million and cash, cash equivalents and marketable securities of $27.6 million. During the year ended December 31, 2015, we had net loss attributable to common stockholders of approximately $12.1 million. We expect to generate operating losses for the foreseeable future.

In April 2012, we entered into a loan and security agreement (the Credit Facility) with Pacific Western Bank (Pacific Western, formerly Square 1 Bank) with availability in the amount of $0.5 million to help fund our operations. The Credit Facility was subsequently amended in November 2013 to provide us with an additional $1.0 million of available funds. We received an advance payment of $1.0 million in November 2013 through a term loan. The amended Credit Facility called for interest only payments at a 6.50% interest rate from November 2013 through November 2014 for all amounts outstanding, inclusive of those amounts originally drawn during 2012 prior to the amendment, at which point, we are required to make principal payments of $58,160 plus interest through the maturity date of the term loans in November 2016. The amended Credit Facility was amended again in November 2015 extending the interest only period and the Tranche B conditions. As of December 31, 2013, $1,395,833 was outstanding under the Credit Facility. In November 2014, we and Pacific Western amended the Credit Facility. Pursuant to the Credit Facility, Pacific Western agreed to make term loans in a principal amount of up to $5,000,000 available to us with proceeds to be used first to refinance outstanding loans from Pacific Western, second to fund expenses related our clinical trials, and the remainder for general working capital purposes. The term loans are to be made available to us upon the following terms: (i) $2,000,000 was made available in November 2014; and (ii) $3,000,000 (the Tranche B Loan) is to be made available to us following the satisfaction of certain conditions, including receipt of positive phase 2 data in either

Sjögren-Larsson Syndrome (SLS) or noninfectious anterior uveitis. As of December 31, 2015, $1,395,833 was outstanding under the Credit Facility. 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. The effective interest rate through December 31, 2015 was 7.89%. Any term loan made is payable as interest-only prior to November 2016 and thereafter is payable in monthly installments of principal plus accrued interest over 36 months. The Credit Facility is collateralized by our assets, including our intellectual property.

On May 7, 2014, we closed our Initial Public Offering, in which 1,500,000 shares of common stock were sold at a price to the public of $8.00 per share for an aggregate offering price of $12.0 million. The offer and sale of all of the shares in the Initial Public Offering were registered under the Securities Act of the 1933, as amended, pursuant to a registration statement on Form S-1 (File No. 333-193204), which was declared effective by the SEC on May 1, 2014. The offering commenced as of May 1, 2014 and did not terminate before all of the securities registered in the registration statement were sold. Aegis Capital Corp. acted as the sole manager of the offering and as representative of the underwriters. We raised approximately $10.0 million in net proceeds after deducting underwriting discounts and commissions of $0.8 million, $1.0 million in prepaid offering and printing costs and other offering costs of $0.2 million.

On January 15, 2015, we sold, in a private placement, an aggregate of approximately 1.1 million shares of common stock at a price of $7.00 per share. Investors received warrants to purchase up to approximately 1.1 million shares of common stock at an exercise price of $9.50. The warrants will expire 3 years from the date of issuance. The warrants do not include a net-exercise feature. The warrants may be redeemed by us at a price of $0.001 per share upon notice to the holders in the event that the closing bid for Aldeyra's common stock for each of the fifteen consecutive trading days prior to such redemption is at least $20.00 per share and the average trading volume of Aldeyra's common stock during such period is 50,000 shares per day. Following Aldeyra's notification to the warrant holders of its exercise of the redemption right under the warrants, each warrant holder will have the option to exercise their warrants prior to the redemption date rather than having them redeemed. We raised approximately $7.1 million in net proceeds in the private placement of common stock and warrants.

On January 22, 2015, in a subsequent private placement, we sold an aggregate of 211,528 shares of common stock at a price of $9.33 per share and a warrant to purchase up to 211,528 shares of common stock at a price of $0.125 per share subject to the warrant. The exercise price of the warrant is $9.50 per share. The warrant will expire 3 years from the date of issuance. The warrant does not include a net-exercise feature. The warrant may be redeemed by us at a price of $0.001 per share upon notice to the holder thereof in the event that the closing bid for Aldeyra's common stock for each of the fifteen consecutive trading days prior to such redemption is at least $20.00 per share and the average trading volume of Aldeyra's common stock during such period is 50,000 shares per day. Following Aldeyra's notification to the warrant holder of its exercise of the redemption right under the warrant, the warrant holder will have the option to exercise the warrant prior to the redemption date rather than having it redeemed. We raised approximately $1.9 million in net proceeds in the private placement of common stock and a warrant to purchase common stock.

We raised approximately $19.5 million, after deducting underwriting discounts and commissions and other offering expenses, which closed on May 22, 2015, through the issuance and sale of 2,822,500 shares of common stock in a follow-on public offering, including shares sold pursuant to the underwriters exercise of their option to purchase additional shares of common stock.

We believe that our cash, cash equivalents and marketable securities as of December 31, 2015, together with the amounts available under the Credit Facility, will be adequate to fund operations through approximately the end of 2017. However, these amounts will not be sufficient for us to 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 NS2. Subsequent trials initiated at a later date will cost considerably more, depending on the results of our prior clinical trials, and feedback from the FDA or other third

parties. 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 NS2 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 NS2, including systemic formualtions, 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 NS2;
- our ability to satisfy the conditions for the Tranche B Loan;
- 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 NS2 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 NS2;
- 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:

	Years ended December 31, 2015	2014
Net cash used in operating activities	$ (9,311,753)	$ (4,775,994)
Net cash used in investing activities	(13,036,256)	(14,062)
Net cash provided by financing activities	28,469,571	10,055,006
Net increase in cash and cash equivalents	$ 6,121,562	$ 5,264,950

Operating Activities. Net cash used in operating activities was $9.3 million in 2015 compared to net cash used in operating activities of $4.8 million in 2014. The primary use of cash was to fund our operations. The increase in the amount of cash used in operating activities for 2015 as compared to 2014 was due to an increase in both research and development and general and administrative expenses.

Investing Activities. Net cash used in investing activities in 2015 were $13.0 million related primarily to the purchase of marketable securities.

Financing Activities. Net cash provided by financing activities was $28.5 million for the year ended December 31, 2015 related to our private and public placement offerings, compared to net cash provided by financing activities of $10.1 million for year ended 2014 which was related to our Initial Public Offering.

Off-Balance Sheet Arrangements

Through December 31, 2015, 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 and Commitments

During the year ended December 31, 2014, we entered into a lease agreement for a certain commercial office space. The thirty-seven month lease which began in September 2014 provides us with approximately 3,700 square feet of space in Lexington, Massachusetts. Base annual rent is initially set at $5,604 per month. Total base rent payable over the lease period is approximately $205,000.

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 December 31, 2015. On November 9, 2015, we amended our Credit Facility with Pacific Western. Pursuant to the amended Credit Facility, Pacific Western agreed to make term loans in a principal amount of up to $5,000,000 available to us with proceeds to be used first to refinance outstanding loans from Pacific Western, second to fund expenses related to our clinical trials, and the remainder for general working capital purposes. The term loans are to be made available to us upon the following terms: (i) $2,000,000 was made available on November 10, 2014; and (ii) $3,000,000 is to be made available to us following the satisfaction of certain conditions, including receipt of positive phase 2 data in either SLS or 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. Any term loan we draw is payable as

interest-only prior to November 2016 and thereafter is payable in monthly installments of principal plus accrued interest over 36 months. The following table summarizes our contractual obligations at December 31, 2015:

	Total	Less than 1 Year	Years 1 - 3	Years 3 - 5	More than 5 Years
Credit Facility	$1,395,833	$ 77,546	$930,556	$387,731	$ —
Operating lease obligations	$ 126,412	$ 69,427	$ 56,985	$ —	$ —
Total	$1,522,245	$146,973	$987,541	$387,731	$ —

In February 2010, we entered into a license and supply agreement providing us with an exclusive license to certain technology and access to purchase materials at certain costs. Under the terms of the license and supply agreement, we are obligated to make milestone payments up to an aggregate of $2.15 million upon reaching certain development and regulatory milestones in the development of the applicable product. Upon commercialization of the product containing the licensed technology, we would be obligated to pay royalties based on net sales subject to an annual cap. The license and supply agreement runs through the 7th anniversary of the expiration of all patents licensed under the agreement, which we estimate to be April 2036, unless terminated earlier. The amounts payable pursuant to this agreement are not included in the table above as the timing of the payments is uncertain.

The table above detailing contractual commitments and obligations does not include severance pay obligations to certain of our executive officers in the event of a not-for-cause termination under existing employment contracts. The cash amount for which we might be liable upon any such termination, based on current executive pay and bonus levels, could be up to approximately $1.3 million.

In March 2016, we entered into a sublease for approximately 3,188 additional square feet of office space to expand our headquarters in Lexington, Massachusetts. The sublease expires in September 2017. The sublease provides for the payment of annual base rent in the amount of $67,000 payable in monthly installments and the requirement to pay certain operating expenses, taxes and other fees in accordance with the terms of the master lease.

ITEM 7A. *QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET 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 and cash equivalents, 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 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

The information required by this Item 8 is contained on pages 73 through 93 of this annual report on Form 10-K and is incorporated herein by reference.

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

None.

ITEM 9A. *CONTROLS AND PROCEDURES*

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of the end of the period covered by this annual report on Form 10-K, we carried out an evaluation under the supervision and with the participation of our Disclosure Committee and our management, including our Chief Executive Officer and President and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e). Disclosure controls are procedures that are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, or the Exchange Act, such as this annual report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified by the U.S. Securities and Exchange Commission. Disclosure controls are also designed to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer and President and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our quarterly evaluation of disclosure controls includes an evaluation of some components of our internal control over financial reporting. We also perform a separate annual evaluation of internal control over financial reporting for the purpose of providing the management report below.

The evaluation of our disclosure controls included a review of their objectives and design, our implementation of the controls and the effect of the controls on the information generated for use in this annual report on Form 10-K. In the course of the controls evaluation, we reviewed data errors or control problems identified and sought to confirm that appropriate corrective actions, including process improvements, were being undertaken. This type of evaluation is performed on a quarterly basis so that the conclusions of management, including our Chief Executive Officer and President and our Chief Financial Officer, concerning the effectiveness of the disclosure controls can be reported in our periodic reports on Form 10-Q and Form 10-K. The overall goals of our evaluation activities are to monitor our disclosure controls and to modify them as necessary. We intend to maintain our disclosure controls as dynamic processes and procedures that we adjust as circumstances merit.

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.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management utilized the criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to conduct an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2015. Based on the assessment, our management has concluded that, as of December 31, 2015, our internal control over financial reporting was effective.

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 fourth quarter of 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. ***OTHER INFORMATION***

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Except as set forth below, the information required by this item will be contained in our definitive proxy statement to be filed with the SEC in connection with the Annual Meeting of Stockholders within 120 days after the conclusion of our fiscal year ended December 31, 2015 (the Proxy Statement), and is incorporated in this annual report on Form 10-K by reference.

Code of Conduct

Our board of directors adopted a code of ethics and business conduct that applies to each of our directors, officers and employees. The full text of our code of business conduct is posted on the Investors portion of our website at http://ir.aldeyra.com. Any waiver of the code of ethics and business conduct for an executive officer or director may be granted only by our board of directors or a committee thereof and must be timely disclosed as required by applicable law. We have implemented whistleblower procedures that establish format protocols for receiving and handling complaints from employees. Any concerns regarding accounting or auditing matters reported under these procedures will be communicated promptly to the audit committee.

ITEM 11. Executive Compensation

The information required by this item will be contained in the Proxy Statement and is incorporated in this annual report on Form 10-K by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be contained in the Proxy Statement and is incorporated in this annual report on Form 10-K by reference.

ITEM 13. Certain Relationships and Related Party Transactions, and Director Independence

The information required by this item will be contained in the Proxy Statement and is incorporated in this annual report on Form 10-K by reference.

ITEM 14. Principal Accounting Fees and Services

The information required by this item will be contained in the Proxy Statement and is incorporated in this annual report on Form 10-K by reference.

PART IV

ITEM 15. *EXHIBITS AND FINANCIAL STATEMENTS SCHEDULES*

The financial statements filed as part of this annual report on Form 10-K are listed and indexed at page 73. Certain schedules are omitted because they are not applicable, or not required, or because the required information is included in the financial statements or notes thereto.

The Exhibits listed in the Exhibit Index immediately preceding the Exhibits are filed as part of this annual report on Form 10-K.

Signatures

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the Commonwealth of Massachusetts, on March 30, 2016.

ALDEYRA THERAPEUTICS, INC.

By: /s/ Todd Brady, M.D., Ph.D.
Todd Brady, M.D., Ph.D.
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1934, this annual report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Todd C. Brady, M.D., Ph.D. Todd C. Brady, M.D., Ph.D.	Chief Executive Officer and Director (principal executive officer)	March 30, 2016
/s/ Stephen J. Tulipano Stephen J. Tulipano	Chief Financial Officer (principal financial and accounting officer)	March 30, 2016
/s/ C. Boyd Clarke C. Boyd Clarke	Chairman of the Board of Directors	March 30, 2016
/s/ Ben Bronstein, M.D. Ben Bronstein, M.D.	Director	March 30, 2016
/s/ Martin J. Joyce Martin J. Joyce	Director	March 30, 2016
/s/ Gary Phillips, M.D. Gary Phillips, M.D.	Director	March 30, 2016
/s/ Jesse Treu, Ph.D. Jesse Treu, Ph.D.	Director	March 30, 2016
/s/ Neal Walker, D.O. Neal Walker, D.O.	Director	March 30, 2016

ALDEYRA THERAPEUTICS, INC.
INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Aldeyra Therapeutics, Inc.
Lexington, Massachusetts

We have audited the accompanying balance sheets of Aldeyra Therapeutics, Inc. (the "Company") as of December 31, 2015 and 2014 and the related statements of operations, comprehensive loss, redeemable convertible preferred stock and stockholders' equity (deficit), and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aldeyra Therapeutics, Inc. at December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

Boston, Massachusetts
March 30, 2016

ALDEYRA THERAPEUTICS, INC.

BALANCE SHEETS

	December 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,648,866	$ 8,527,304
Marketable securities	12,941,776	—
Prepaid expenses and other current assets	497,552	232,568
Total current assets	28,088,194	8,759,872
Deferred offering costs	36,236	14,238
Fixed assets, net	80,334	12,993
Total assets	$ 28,204,764	$ 8,787,103
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 851,160	$ 341,294
Accrued expenses	1,186,429	908,724
Current portion of credit facility	77,546	77,546
Total current liabilities	2,115,135	1,327,564
Credit facility, net of current portion and debt discount	1,211,310	1,175,481
Total liabilities	3,326,445	2,503,045
Commitments and contingencies (Note 14)		
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 9,712,521 and 5,565,415 shares issued and outstanding, respectively	9,713	5,565
Additional paid-in capital	83,478,851	52,790,090
Accumulated other comprehensive loss, net of tax	(8,361)	—
Accumulated deficit	(58,601,884)	(46,511,597)
Total stockholders' equity	24,878,319	6,284,058
Total liabilities and stockholders' equity	$ 28,204,764	$ 8,787,103

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

ALDEYRA THERAPEUTICS, INC.

STATEMENTS OF OPERATIONS

	Years ended December 31,	
	2015	2014
Operating expenses:		
Research and development	$ 7,574,398	$ 3,707,544
General and administrative	4,414,709	3,563,046
Loss from operations	(11,989,107)	(7,270,590)
Other income (expense):		
Change in fair value of preferred stock warrant liabilities	—	2,327,502
Interest income	11,126	3
Interest expense	(112,306)	(244,174)
Total other income (expense), net	(101,180)	2,083,331
Net loss	(12,090,287)	(5,187,259)
Accretion of preferred stock	—	(333,082)
Deemed dividend	—	(4,053,570)
Net loss attributable to common stockholders	$ (12,090,287)	$ (9,573,911)
Net loss per share attributable to common stockholders:		
Basic	$ (1.40)	$ (2.51)
Diluted	$ (1.40)	$ (3.09)
Weighted average common shares outstanding:		
Basic	8,633,897	3,818,157
Diluted	8,633,897	3,850,612

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

ALDEYRA THERAPEUTICS, INC.

STATEMENTS OF COMPREHENSIVE LOSS

	Years ended December 31,	
	2015	2014
Net loss	$ (12,090,287)	$ (5,187,259)
Other comprehensive loss:		
Unrealized loss on marketable securities, net of tax	(8,361)	—
Total other comprehensive loss	(8,361)	—
Comprehensive loss	$ (12,098,648)	$ (5,187,259)

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

ALDEYRA THERAPEUTICS, INC.

STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)

	Redeemable Convertible Preferred Stock					Stockholders' Equity (Deficit)					
	Series A Preferred Stock		Series B Preferred Stock			Common Voting Stock					
	Shares	Amount	Shares	Amount	Total Redeemable Convertible Preferred Stock	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss, net of tax	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance, December 31, 2013	980,391	$ 29,291,865	1,316,681	$ 9,025,433	$ 38,317,298	327,365	$ 327	$ 1,102,685	$ —	$(41,324,338)	$ (40,221,326)
Stock-based compensation	—	—	—	—	—	—	—	2,037,073	—	—	2,037,073
Accretion of discounts and issuance costs on preferred stock	—	78,037	—	255,045	333,082	—	—	(333,082)	—	—	(333,082)
Issuance of common stock, net of issuance costs	—	—	—	—	—	1,500,000	1,500	9,975,407	—	—	9,976,907
Conversion of Preferred	(980,391)	(29,369,902)	(1,316,681)	(9,280,478)	(38,650,380)	3,642,799	3,643	38,646,737	—	—	38,650,380
Net exercise of warrants	—	—	—	—	—	74,001	74	1,191,291	—	—	1,191,365
Conversion feature on convertible promissory note	—	—	—	—	—	21,250	21	169,979	—	—	170,000
Net loss	—	—	—	—	—	—	—	—	—	(5,187,259)	(5,187,259)
Balance, December 31, 2014	—	—	—	—	—	5,565,415	5,565	52,790,090	—	(46,511,597)	6,284,058
Stock-based compensation	—	—	—	—	—	—	—	2,187,102	—	—	2,187,102
Issuance of common stock, net of issuance costs	—	—	—	—	—	4,147,106	4,148	28,501,659	—	—	28,505,807
Other comprehensive loss						—	—	—	(8,361)	—	(8,361)
Net loss	—	—	—	—	—	—	—	—	—	(12,090,287)	(12,090,287)
Balance, December 31, 2015	—	$ —	—	$ —	$ —	9,712,521	$ 9,713	$83,478,851	$ (8,361)	$(58,601,884)	$ 24,878,319

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

ALDEYRA THERAPEUTICS, INC.

STATEMENTS OF CASH FLOWS

	Years ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (12,090,287)	$ (5,187,259)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	2,187,102	2,037,073
Amortization of debt discount – non-cash interest expense	35,829	150,852
Change in fair value of warrant liability, purchase rights and warrant purchase rights	—	(2,327,502)
Depreciation	18,778	1,069
Change in operating assets and liabilities:		
Prepaid expenses and other current assets	(264,984)	(224,156)
Accounts payable	509,866	(559)
Accrued interest on convertible notes related parties	—	(2,125)
Accrued expenses	291,943	776,613
Net cash used in operating activities	(9,311,753)	(4,775,994)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of property and equipment	(86,119)	(14,062)
Purchases of marketable securities	(12,950,137)	—
Net cash used in investing activities	(13,036,256)	(14,062)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock, net of issuance costs	28,505,807	10,055,006
Borrowings under credit facility, net	—	1,395,833
Repayments of credit facility	—	(1,395,833)
Deferred offering costs paid in cash	(36,236)	—
Net cash provided by financing activities	28,469,571	10,055,006
NET INCREASE IN CASH	6,121,562	5,264,950
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	8,527,304	3,262,354
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 14,648,866	$ 8,527,304
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 74,299	$ 96,794
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Deferred offering costs not yet paid	$ —	$ 14,238
Accretion of redeemable convertible preferred stock	$ —	$ 333,082
Conversion of notes payable	$ —	$ 170,000
Conversion of Series A preferred stock upon closing initial public offering	$ —	$ 29,369,902
Conversion of Series B preferred stock upon closing initial public offering	$ —	$ 9,280,478
Net exercise of warrants into common stock	$ —	$ 1,191,365
Warrants issued to underwriter in initial public offering	$ —	$ 315,388

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

ALDEYRA THERAPEUTICS, INC.

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

Aldeyra Therapeutics, Inc. (the Company or Aldeyra) was incorporated in the state of Delaware on August 13, 2004 as Neuron Systems, Inc. On December 20, 2012, the Company changed its name to Aldexa Therapeutics, Inc. and, on March 17, 2014, the Company changed its name to Aldeyra Therapeutics, Inc. The Company is developing a treatment for diseases related to high levels of aldehydes, naturally occurring pro-inflammatory toxins. The ongoing research and development activities will be subject to extensive regulation by numerous governmental authorities in the United States. Prior to marketing in the United States, any drug developed by the Company must undergo rigorous preclinical and clinical testing and an extensive regulatory approval process implemented by the United States Food and Drug Administration (FDA) under the Food, Drug and Cosmetic Act. The Company has limited experience in conducting and managing the preclinical and clinical testing necessary to obtain regulatory approval. There can be no assurance that the Company will not encounter problems in the clinical trials that will cause the Company or the FDA to delay or suspend clinical trials.

The Company's success will depend in part on its ability to obtain patents and product license rights, maintain trade secrets, and operate without infringing on the property rights of others, both in the United States and other countries. There can be no assurance that patents issued to or licensed by the Company will not be challenged, invalidated, circumvented, or that the rights granted thereunder will provide proprietary protection or competitive advantages to the Company.

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

2. BASIS OF PRESENTATION

Basis of Presentation and Management's Plans – The accompanying financial statements were prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP).

Liquidity and Management's Plans – At December 31, 2015, the Company had an accumulated deficit of approximately $58.6 million and cash and cash equivalents and marketable securities of approximately $27.6 million.

On May 7, 2014, the Company closed its Initial Public Offering, in which 1,500,000 shares of common stock were sold at a price to the public of $8.00 per share for an aggregate offering price of $12.0 million. The offer and sale of all of the shares in the Initial Public Offering were registered under the Securities Act of the 1933, as amended, pursuant to a registration statement on Form S-1 (File No. 333-193204), which was declared effective by the SEC on May 1, 2014. The Company raised approximately $10.0 million in net proceeds after deducting underwriting discounts and commissions of $0.8 million, $1.0 million in prepaid offering and printing costs and other offering costs of $0.2 million.

On January 15, 2015, the Company sold, in a private placement, an aggregate of approximately 1.1 million shares of common stock at a price of $7.00 per share. Investors received warrants to purchase up to approximately 1.1 million shares of common stock at an exercise price of $9.50. The warrants will expire 3 years from the date of issuance. The warrants do not include a net-exercise feature. The warrants may be redeemed by the Company at a price of $0.001 per share upon notice to the holders in the event that the closing bid for Aldeyra's common stock for each of the fifteen consecutive trading days prior to such redemption is at least $20.00 per share and the average trading volume of Aldeyra's common stock during such period is 50,000 shares per day. Following Aldeyra's notification to the warrant holders of its exercise of the redemption right under the warrants, each warrant holder will have the option to exercise their warrants prior to the redemption date rather than having them redeemed. The Company raised approximately $7.1 million in net proceeds in the private placement of common stock and warrants.

On January 22, 2015, in a subsequent private placement, the Company sold an aggregate of 211,528 shares of common stock at a price of $9.33 per share and a warrant to purchase up to 211,528 shares of common stock at a price of $0.125 per share subject to the warrant. The exercise price of the warrant is $9.50 per share. The warrant will expire 3 years from the date of issuance. The warrant does not include a net-exercise feature. The warrant may be redeemed by the Company at a price of $0.001 per share upon notice to the holder thereof in the event that the closing bid for Aldeyra's common stock for each of the fifteen consecutive trading days prior to such redemption is at least $20.00 per share and the average trading volume of Aldeyra's common stock during such period is 50,000 shares per day. Following Aldeyra's notification to the warrant holder of its exercise of the redemption right under the warrant, the warrant holder will have the option to exercise the warrant prior to the redemption date rather than having it redeemed. The Company raised approximately $1.9 million in net proceeds in the private placement of common stock and a warrant to purchase common stock.

On May 22, 2015, the Company raised approximately $19.5 million, after deducting underwriting discounts and commissions and other offering expenses, through the issuance and sale of 2,822,500 shares of common stock in a follow-on public offering, including shares sold pursuant to the underwriters exercise of their option to purchase additional shares of common stock.

In addition, as discussed in Note 8, in November 2015, the Company amended its credit facility (the Credit Facility) with Pacific Western Bank (Pacific Western). Pacific Western agreed 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 the Company's clinical trials, and the remainder for general working capital purposes. The term loans are to be made available to the Company upon the following terms: (i) $2.0 million was made available on November 10, 2014; and (ii) $3.0 million (the Tranche B Loan) is to be made available to the Company following the satisfaction of certain conditions, including receipt of positive phase 2 data in either SLS or 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. Any term loan made is payable as interest-only prior to November 2016 and thereafter is payable in monthly installments of principal plus accrued interest over 36 months. The Credit Facility is collateralized by the Company's assets, including its intellectual property.

The Company's management believes that its currently available resources, including amounts available under the Credit Facility, will provide sufficient funds to enable the Company to meet its obligations through at least the end of 2017. The Company will need to raise additional capital to implement its near-term business plan. 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 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 US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. The Company evaluates its estimates and assumptions on an ongoing basis. The most significant estimates in the Company's financial statements relate to accruals, including research and development costs, accounting for income taxes and the related valuation allowance, estimating the fair value of the Company's common and preferred stock, preferred stock warrants, purchase rights and warrant purchase rights, and accounting for stock based compensation and the related fair value. Although these estimates are based on the Company's knowledge of current events and actions it may undertake in the future, actual results may ultimately materially differ from these estimates and assumptions.

Segment Information – Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company views its operations and manages its business in one segment, which is the identification and development of a treatment for diseases related to high levels of aldehydes.

Cash and Cash Equivalents – The Company classifies all highly liquid investments with original maturities of three months or less as cash equivalents and all highly liquid investments with original maturities of greater than three months as current marketable securities. The Company has a policy of making investments only with commercial institutions that have at least an investment grade credit rating. The Company invests its cash primarily in reverse repurchase agreements (RRAs), government securities and obligations, and money market funds.

RRAs are collateralized by deposits in the form of 'Government Securities and Obligations' for an amount not less than 102% of their value. The Company does not record an asset or liability related to the collateral as the Company is not permitted to sell or repledge the associated collateral. The Company has a policy that the collateral has at least an A (or equivalent) credit rating. The Company utilizes a third party custodian to manage the exchange of funds and ensure that collateral received is maintained at 102% of the value of the RRAs on a daily basis. RRAs with original maturities of greater than three months are classified as marketable securities.

Marketable Securities – Marketable securities consist of government securities and obligations with original maturities of more than 90 days. Investments are classified as available-for-sale and are recorded on the balance sheet at fair value with unrealized gains or losses reported as a separate component of other comprehensive loss. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such determination at each balance sheet date.

Fair Value of Financial Instruments – Financial instruments including cash equivalents 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. Marketable securities are carried at fair value and are more fully described in Note 5.

Concentration of Credit Risk – Financial instruments that potentially subject us to significant concentrations of credit risk principally consist of cash, cash equivalents and marketable securities. We place our cash and cash equivalents and marketable securities with financial institutions with high credit ratings. As part of our cash and investment management processes, we perform periodic evaluations of the credit standing of the financial institutions with whom we maintain deposits, and have not recorded any credit losses to-date.

Intellectual Property – The legal and professional costs incurred by the Company to acquire its patent rights are expensed as incurred and included in operating expenses. At December 31, 2015 and 2014, the Company has determined that these expenses have not met the criteria to be capitalized. Intellectual property related expenses for the years ended December 31, 2015 and 2014 were $473,878 and $184,517, respectively.

Income Taxes – The Company follows the provisions of FASB ASC 740, *Income Taxes*, in reporting deferred income taxes. ASC 740 requires a company to recognize deferred tax liabilities and assets for expected future income tax consequences of events that have been recognized in the Company's financial statements. Under this method, deferred tax assets and liabilities are determined based on temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates in the years in which the temporary differences are expected to reverse. Valuation allowances are provided if based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

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.

Research and Development Costs – Research and development costs are charged to expense as incurred. Research and development expenses include consulting expenses, preclinical studies, clinical trials, clinical trial materials, regulatory and clinical consultants, lab supplies, lab services, lab equipment maintenance and small equipment purchased to support the research laboratory. Research and development costs that are paid in advance of performance are capitalized as a prepaid expense until incurred.

Stock-Based Compensation – Stock-based payments are accounted for in accordance with the provisions of ASC 718, *Compensation – Stock Compensation*. For options, the fair value of stock-based payments is estimated, on the date of grant, using the Black-Scholes option pricing model. For restricted stock, fair value is based on the fair value of the stock on the date of grant. The resulting fair value for restricted stock and options expected to vest is recognized on a straight-line basis over the requisite service period, which is generally the vesting period of the applicable restricted stock or option.

Equity instruments issued to nonemployees are accounted for under the provisions of ASC 718 and ASC 505-50, *Equity – Equity-Based Payments to Non-Employees*. Accordingly, the estimated fair value of the equity instrument is recorded on the earlier of the performance commitment date or the date the services are completed and are marked to market through the date of vesting.

From time to time the Company may grant awards with performance conditions necessary to be achieved in order to vest in the award. The Company records compensation expense for those awards over the vesting period of the award to the extent the performance conditions are deemed probable of achievement.

From time to time the Company may grant awards with a market condition necessary to be achieved in order to vest in the award. The Company records compensation expense for those awards over the vesting period of the award on a straight-line basis utilizing Monte Carlo simulations to estimate the timing and number of shares that are most likely to vest.

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 December 31, 2015, comprehensive loss is equal to the Company's net loss of $12.1 million and an unrealized loss on marketable securities of $8,000. For December 31, 2014, comprehensive loss is equal to net loss of $5.2 million.

Net Loss Applicable to Common Stock – The Company computes net loss per share in accordance with the two-class method. Under the two-class method, net income is allocated between common stock and other participating securities based on their participation rights. The Company has determined that their outstanding Series A and Series B Preferred Stock represents a participating security and as such the preferred shares are excluded from basic earnings per share. Net losses are not allocated to the preferred stockholders for computing net loss per share under the two-class method because preferred stockholders do not have contractual obligations to share in the losses of the Company. Basic earnings per share is calculated by dividing income allocable to common stockholders (after reduction for preferred stock dividends assuming current income for the period had been distributed) by the weighted average number of common stock outstanding.

Diluted net loss per share is computed using the more dilutive of (a) the two-class method, or (b) the if-converted method or treasury stock method, as applicable, to the potentially dilutive instruments. The Company allocates net income first to preferred stockholders based on dividend rights and then to common and preferred stockholders based on ownership interests. The weighted-average number of common shares

outstanding gives effect to all potentially dilutive common equivalent shares, including outstanding stock options and restricted stock, warrants, rights to purchase additional shares of preferred stock, rights for warrants to purchase preferred stock and convertible debt.

Recent Accounting Pronouncements –

In November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-17 "Income Taxes: Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"). To simplify the presentation of deferred income taxes, the amendments in this update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This update is required to be effective for all public Companies for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted. We do not believe that ASU 2015-17 will have a material impact on our financial statements.

In February of 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). Under ASU 2016-2, an entity will be required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASU 2016-02 offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. For public companies, ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. The Company is in the process of evaluating the future impact of ASU 2016-02 on its financial position, results of operations and cash flows.

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. ASU 2015-03 is effective for the Company in the first quarter of fiscal year 2017, with early adoption permitted. ASU 2015-03 should be applied on a retrospective basis to each individual period presented. Upon implementation, the change in reporting debt issuance costs will require the Company to reclassify any deferred financing costs from an asset to a reduction of the reported debt balance. The application of ASU 2015-03 is not expected to have a material impact on the presentation of the Company's financial position.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"), to provide guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. The Company early adopted ASU 2014-15 in the year ended December 31, 2015, and it did not have an impact on the Company's financial statements.

3. NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS

Net loss attributable to common stockholders

The following table summarizes the computation of basic and diluted net loss per share attributable to common stockholders of the Company:

	Years ended December 31,	
	2015	2014
Numerator:		
Basic		
Net loss	$ (12,090,287)	$ (5,187,259)
Accretion of preferred stock	—	(333,082)
Deemed dividend	—	(4,053,570)
Net loss attributable to common stockholders – basic	$ (12,090,287)	$ (9,573,911)

	Years ended December 31, 2015	2014
Diluted		
Net loss attributable to common stockholders – basic	(12,090,287)	(9,573,911)
Less: change in fair value of derivative liabilities	—	(2,327,502)
Net loss available to common stockholders – diluted	$ (12,090,287)	$ (11,901,413)
Denominator:		
Basic		
Weighted-average number of common shares – basic	8,633,897	3,818,157
Diluted		
Weighted-average number of common shares – basic	8,633,897	3,818,157
Warrants (treasury stock)	—	32,455
Total weighted average number of common shares – diluted	8,633,897	3,850,612
Net loss per share:		
Basic	$ (1.40)	$ (2.51)
Diluted	$ (1.40)	$ (3.09)

The following potentially dilutive securities outstanding, prior to use of the treasury stock method or if-converted method, have been excluded from the computation of diluted weighted-average shares outstanding, because such securities had an antidilutive impact:

	Years ended December 31, 2015	2014
Options to purchase common stock	1,077,330	874,032
Warrants to purchase common stock	1,384,608	60,000
Total of common stock equivalents	2,461,938	934,032

4. CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES

At December 31, 2015, cash, cash equivalents and marketable securities were comprised of:

	Carrying Amount	Unrecognized Gain	Unrecognized Loss	Estimated Fair Value	Cash Equivalents	Current Marketable Securities
Cash	$ 1,662,980	$ —	$ —	$ 1,662,980	$ 1,662,980	$ —
Money market funds	35,886	—	—	35,886	35,886	—
	Carrying Amount	Unrealized Gain	Unrealized Loss	Estimated Fair Value		
U.S. Reverse repurchase agreements	12,950,000	—	—	12,950,000	12,950,000	—
Government securities	12,950,137	—	(8,361)	12,941,776	—	12,941,776
Available for Sale(1)	25,900,137	—	(8,361)	25,891,776	12,950,000	12,941,776
					$ 14,648,866	$12,941,776

Total Cash, cash equivalents and current marketable securities

(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 are less than one year at December 31, 2015.

5. FAIR VALUE MEASUREMENTS

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 December 31, 2015. There were no assets or liabilities measured at fair value at December 31, 2014.

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$35,886	$ —	$ —	$ 35,886
Repurchase agreements	—	12,950,000	—	12,950,000
U.S. government agency securities	—	12,941,776	—	12,941,776
Total assets at fair value	$35,886	$25,891,776	$ —	$25,927,662

See Note 2 for financial assets and liabilities held at carrying amount on the Balance Sheet.

6. ACCRUED EXPENSES

Accrued expenses at December 31, 2015 and 2014 were:

	2015	2014
Accrued compensation	$ 394,773	$ 444,786
Accrued research and development	550,323	313,642
Accrued general & administrative	192,676	101,457
Accrued other	48,657	48,839
Accrued expenses	$ 1,186,429	$ 908,724

7. CONVERTIBLE NOTES PAYABLE – RELATED PARTIES

In October 2013, the Company issued a convertible promissory note to Domain Partners VI, L.P., a related party, in a principal amount of $170,000, which was amended in February 2014 to extend its maturity date. The amendment to the note was determined to be a modification in accordance with ASC 470, *Debt*, and did not result in extinguishment. The note accrued interest at a rate of 6% per annum, and was to become due and payable in June 2014 unless converted into shares of the Company's capital stock prior to such time pursuant to its terms.

The Company recorded the difference between the current Series B Preferred Stock Conversion price and the fair value of the Series B Preferred Stock at the date of issuance, limited to the face amount of the convertible promissory note of $170,000, as a beneficial conversion feature. This was reflected as a debt discount and was amortized to interest expense through the note's maturity date.

Upon the Company's Initial Public Offering in May 2014, the note automatically converted into 21,250 shares of the Company's common stock. As of that date the remaining beneficial conversion feature was expensed.

8. CREDIT FACILITY

In April 2012, the Company entered into a loan and security agreement (the Credit Facility) with Pacific Western which was subsequently amended in November 2013 to provide the Company with $1.5 million of available funds. The amended Credit Facility called for interest only payments at a 6.50% interest rate from November 2013 through November 2014 for all amounts outstanding, at which point, the Company was scheduled to make principal payments of $58,160 plus interest through the maturity date of the term loans in November 2016. In November 2014, the Credit Facility was further amended. Pursuant to the Credit Facility, Pacific Western agreed 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 the Company's clinical trials, and the remainder for general working capital purposes. The term loans are to be made available to the Company upon the following terms: (i) $2.0 million was made available in November 2014; and (ii) $3.0 million (the Tranche B Loan) is to be made available to the Company following the satisfaction of certain conditions, including receipt of positive phase 2 data in either Sjögren-Larsson Syndrome (SLS) or noninfectious anterior uveitis. As of December 31, 2014, $1.4 million was outstanding under the Credit Facility. 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. Any term loan made was payable as interest-only prior to November 2015 and thereafter was scheduled to be payable in monthly installments of principal plus accrued interest through the maturity date in November 2018. The amended Credit Facility was amended again in November 2015 extending the interest only period and the Tranche B conditions. 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. The effective interest rate through December 31, 2015 was 7.89%. Any term loan made is payable as interest-only prior to November 2016 and thereafter is payable in monthly installments of principal plus accrued interest over 36 months. The Credit Facility is collateralized by the Company's assets, including its intellectual property. As of December 31, 2015, $1.4 million was outstanding under the Credit Facility.

Future maturities of the existing term loans under the Credit Facility as of December 31, 2015 are as follows:

2016	$ 77,546
2017	465,278
2018	465,278
2019	387,731
Total	$ 1,395,833

In conjunction with obtaining the November 2013 amended credit facility, the Company issued a warrant exercisable for 9,692 shares of Series B Preferred Stock with an exercise price of $5.16 per share and a term of seven years (Note 12). The warrant was valued at $178,000 and, together with the fair value of the warrant issued in connection with the April 12, 2012 Credit Facility ($88,000), was recorded as a discount on the Credit Facility. 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 was determined to be modifications in accordance with ASC 470, *Debt* and did not result in extinguishment.

At December 31, 2015 and 2014, the Credit Facility is shown net of a remaining debt discount of $107,000 and $143,000, respectively.

9. 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.

As of December 31, 2015, the Company had Federal and State income tax net operating loss (“NOL”) carryforwards of approximately $26.1 million and $23.3 million, respectively, which will expire at various dates through 2035. As of December 31, 2015, the Company had Federal and State research and development tax credit carryforwards of approximately $623,000 and $67,000, respectively, which will expire at various dates through 2035.

Significant components of the Company’s deferred tax assets and liabilities at December 31, 2015 and 2014 are as follows:

Deferred Tax Assets	12/31/2015	12/31/2014
Federal & State NOL carryforward	$ 10,115,458	$ 6,210,836
Federal & State R&D credit carryforward	667,688	421,828
Intangibles – net	932,060	1,163,905
Accounts payable and accrued expenses	591,843	402,062
Stock options	2,152,854	1,432,312
Fixed Assets	213	—
Gross deferred tax assets	14,460,116	9,630,943
Valuation Allowance – US	(14,418,095)	(9,574,752)
Net Deferred Tax Assets	42,021	56,191

Deferred Tax Liabilities	12/31/2015	12/31/2014
Note Discounts	(42,021)	(56,094)
Fixed Assets	—	(97)
Gross deferred tax liabilities	(42,021)	(56,191)
TOTAL	$ —	$ —

The change in valuation allowance of $4.8 million from December 31, 2014 to December 31, 2015 is driven by no tax benefit being recorded on the current year loss from operations.

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. In the past, Aldeyra has undergone two ownership changes. However, the Company’s management believes that it had sufficient “Built-In-Gain” to offset the Section 382 of the Code limitation generated by the ownership changes. Any future ownership changes 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.

A reconciliation of the federal statutory tax rate of 34% to the Company’s effective income tax rates are as follows:

	Years ended December 31,	
	2015	2014
Statutory tax rate	34.00%	34.00%
State taxes, net of federal benefits	5.22%	5.82%
Mark to market items	0.00%	15.26%
Federal research and development credits	1.92%	3.07%
Change in valuation allowance	(40.10)%	(53.76)%
Other	(1.04)%	(4.39)%
Effective tax rate	0.00%	0.00%

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.

10. STOCK INCENTIVE PLAN

The Company has three 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 December 31, 2015, 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 upon the Initial Public Offering. As of December 31, 2014, there were no shares available for issuance under the 2010 Plan. However, grants made under the 2010 Plan are still governed by that plan. As of December 31, 2015, options to purchase 585,888 shares of common stock at a weighted average exercise price of $1.41 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 December 31, 2014, the number of shares of common stock authorized for issuance in connection with the 2013 Plan was 625,000. On January 1 of each year the aggregate number of common shares that may be issued under the Plan shall automatically increase by a number equal to the least of (a) 4% 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, 333,333 common shares, or (c) a number of common shares determined by the Company's board of directors. As of January 1, 2016, the number of shares of common stock that may be issued under the 2013 Plan was automatically increased by 333,333, shares, increasing the number of shares of common stock available for issuance under the 2013 Plan to 1,180,950 shares. As of December 31, 2015, options to purchase 467,488 shares of common stock at a weighted average exercise price of $7.25 per share remained outstanding under the 2013 Plan.

Terms of stock award agreements, including vesting requirements, are determined by the board of directors, subject to the provisions of the respective plan they were granted. Options granted by the Company typically vest over a four year period. Certain of the options are subject to acceleration of vesting in the event of certain change of control transactions. The options 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 following table summarizes option activity under the incentive plans for the years ended December 31, 2015 and 2014:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Term	Aggregate Intrinsic Value(a)
Outstanding at December 31, 2013	609,842	$ 1.48		
Granted	264,190	$ 6.84		
Outstanding at December 31, 2014	874,032	$ 3.10		
Granted	203,298	$ 7.78		
Outstanding at December 31, 2015	1,077,330	$ 3.98	8.06	$3,405,821
Exercisable at December 31, 2015	578,384	$ 4.43	7.61	$2,562,619
Exercisable at December 31, 2014	134,294			

(a) The aggregate intrinsic value in this table was calculated on the positive difference, if any, between the closing market value of our common stock on December 31, 2015 of ($6.78) and the price of the underlying options.

Options granted for the year ended December 31, 2013 include two grants of options exercisable for a total of 32,014 common shares for which vesting is contingent on certain performance and market-based conditions. For options granted containing performance conditions, the fair value is determined on the date

of grant. For the year ended December 31, 2014, there was $340,000 expense recorded relating to the options as the performance conditions were satisfied in May 2014 and the shares vested.

The Company records stock-based compensation related to stock options granted at fair value. During the years ended December 31, 2015 and 2014, the Company used the Black-Scholes option-pricing model to estimate the fair value of stock option grants and to determine the related compensation expense. The assumptions used in calculating the fair value of stock-based payment awards represent management's best estimates. The weighted-average fair value of options granted was $5.75 and $5.09 for the years ended December 31, 2015 and 2014, respectively. The assumptions used in determining fair value of the employee stock options for the years ended December 2015 and 2014, are as follows:

	December 31, 2015	December 31, 2014
Expected dividend yield	0%	0%
Anticipated volatility	88.57%	88.57%
Estimated stock price	$7.19 - $8.37	$4.99 - $8.00
Exercise price	$7.19 - $8.37	$4.99 - $8.00
Expected life (years)	5.50 - 6.25	6.00 - 6.25
Risk free interest rate	0.27% - 1.91%	1.92% - 2.03%

The dividend yield of zero is based on the fact that we have never paid cash dividends and have no present intention to pay cash dividends. Expected volatility is based on the historical volatility of a group of similar companies that are publicly traded since we don't have sufficient historical or implied data of our own. We have estimated the expected life of our employee stock options using the "simplified" method, whereby, the expected life equals the average of the vesting term and the original contractual term of the option for service-based awards since we don't have sufficient historical or implied data of our own. The risk-free interest rates for periods within the expected life of the option are based on the yields of zero-coupon United States Treasury securities.

We recognize stock-based compensation expense over the requisite service period. Our 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:

	Year ended December 31,	
	2015	2014
Research and development expenses	$ 841,289	$ 647,150
General and administrative expenses	1,345,813	1,389,923
Total stock-based compensation expense	$ 2,187,102	$ 2,037,073

At December 31, 2015, there is approximately $3.5 million of unrecognized compensation cost relating to stock options outstanding, which the Company expects to recognize over a weighted average period 2.1 years. Total unrecognized compensation cost will be adjusted for future forfeitures, if necessary.

11. REDEEMABLE CONVERTIBLE PREFERRED STOCK

Series A Preferred Stock

In June 2008, the Company authorized a total of 13,764,706 shares of Series A redeemable, convertible preferred stock ("Series A Preferred Stock") of which 490,197 shares were issued for $12.24 per share resulting in gross proceeds of $6.0 million and 241,883 shares were issued in connection with the conversion of $2.8 million of bridge notes and related $201,000 of accrued interest.

Series B Preferred Stock

In December 2012, the Company authorized a total of 36,205,634 shares of Series B redeemable, convertible preferred stock ("Series B Preferred Stock") of which 387,499 shares were issued for $5.16 per share resulting in gross proceeds of $2.0 million and 541,496 shares were issued in connection with the conversion of $2.2 million of convertible notes and related $593,000 of accrued interest.

On May 7, 2014, the Company closed its Initial Public Offering, in which 1,500,000 shares of common stock were sold at a price to the public of $8.00 per share for an aggregate offering price of $12.0 million. The offer and sale of all of the shares in the Initial Public Offering were registered under the Securities Act of the 1933, as amended, pursuant to a registration statement on Form S-1 (File No. 333-193204), which was declared effective by the SEC on May 1, 2014. The Company raised approximately $10.0 million in net proceeds after deducting underwriting discounts and commissions of $0.8 million, $1.0 million in prepaid offering and printing costs and other offering costs of $0.2 million.

In connection with the Initial Public Offering, holders of at least 67% of the respective outstanding Series A and Series B Preferred Stock (Series A and Series B voting as separate single classes) elected to automatically convert the Series A Preferred Stock and Series B Preferred Stock into 3,642,799 shares of common stock. The remaining unamortized discount was considered a deemed dividend of $4.1 million for the year ended December 31, 2014.

12. STOCK PURCHASE WARRANTS

On January 14, 2015, the Company sold, in a private placement, an aggregate of approximately 1.1 million shares of common stock at a price of $7.00 per share. Investors received warrants to purchase up to approximately 1.1 million shares of common stock at an exercise price of $9.50. The Company raised approximately $7.1 million in net proceeds in the private placement of common stock and warrants. Additionally, on January 21, 2015, in a subsequent private placement, the Company sold an aggregate of 211,528 shares of common stock at a price of $9.33 per share and a warrant to purchase up to 211,528 shares of common stock at a price of $0.125 per share subject to the warrant. The Company raised approximately $1.9 million in net proceeds in the private placement of common stock and a warrant to purchase common stock. In both transactions, the exercise price of the warrants is $9.50 per share. The warrants will expire 3 years from their respective date of issuance. The warrants do not include a net-exercise feature. The warrants may be redeemed by the Company at a price of $0.001 per share upon notice to the holders thereof in the event that the closing bid for Aldeyra's common stock for each of the fifteen consecutive trading days prior to such redemption is at least $20.00 per share and the average trading volume of Aldeyra's common stock during such period is at least 50,000 shares per day. Following Aldeyra's notification to the warrant holders of its exercise of the redemption right under the warrants, the warrant holders will have the option to exercise the warrants prior to the redemption date rather than having them redeemed.

In connection with the Initial Public Offering, the Company issued the underwriters of the offering warrants to purchase up to 60,000 shares of common stock. The warrants are exercisable beginning on May 1, 2015 for cash or on a cashless basis at a per share price of $10.00. The warrants will expire on May 1, 2019.

All of the warrants above were outstanding at December 31, 2015.

13. RELATED PARTY TRANSACTIONS

Convertible Promissory Note **–** In October 2013, the Company issued a convertible promissory note to Domain Partners VI, L.P., in a principal amount of $170,000, which was amended in February 2014 to extend its maturity date.

The note accrued interest at a rate of 6% per annum, and would have become due and payable in June 2014 unless it converted into shares of the Company's capital stock prior to such time pursuant to its terms.

Upon the Company's Initial Public Offering in May 2014, the note automatically converted into 21,250 shares of the Company's common stock.

14. COMMITMENTS AND CONTINGENCIES

Guarantees and Indemnifications – As permitted under Delaware law, the Company indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The term of the indemnification is for the officer's or director's lifetime. Through December 31, 2015, the Company had not experienced any losses related to these indemnification obligations and no material claims were outstanding. The Company does not expect significant claims related to these indemnification obligations, and consequently, concluded that the fair value of these obligations is negligible, and no related reserves were established.

Other Contractual Arrangements – In February 2010, the Company entered into a license and supply agreement providing the Company with an exclusive license to certain technology and access to purchase materials at certain costs. Under the terms of the license and supply agreement, the Company is obligated to make milestone payments up to an aggregate of $2.15 million upon reaching certain development and regulatory milestones in the development of the Company's product. Upon commercialization of the Company's product containing the licensed technology, the Company would be obligated to pay royalties based on net sales subject to an annual cap. The license and supply agreement runs through the 7th anniversary of the expiration of all patents licensed under the agreement, which the Company estimates to be April 2036, unless terminated earlier. As of December 31, 2015, no milestones under the agreement had been met.

During the year ended December 31, 2014, the Company entered into a lease agreement for a certain commercial office space. The thirty-seven month lease which began on or about September 12, 2014, provides the Company with approximately 3,700 square feet of space in Lexington, Massachusetts. Base annual rent is initially set at $5,604 per month. Total base rent payable over the lease period is approximately $205,000. The following table outlines the Company's gross future minimum payments under all non-cancelable operating leases as of December 31, 2015.

	Total	2016	2017	2018
Operating lease obligations	$126,412	$69,427	$56,985	$—

15. SUBSEQUENT EVENT

In March 2016, the Company entered into a sublease for approximately 3,188 additional square feet of office space to expand its headquarters in Lexington, Massachusetts. The sublease expires in September 2017. The sublease provides for the payment of annual base rent in the amount of $67,000, payable in monthly installments and the requirement to pay certain operating expenses, taxes and other fees in accordance with the terms of the master lease.

EXHIBIT INDEX

Exhibit Number	Exhibit Title
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 3.1 to the Registrant's Current Report on Form 8-K as filed on May 7, 2014, and incorporated herein by reference)
4.1	Specimen stock certificate evidencing the shares of common stock (filed as Exhibit 4.1 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-193204), as filed on March 17, 2014, and incorporated herein by reference)
4.2	Investor Rights Agreement dated as of December 20, 2012 (filed as Exhibit 4.2 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-193204), as filed on March 17, 2014, and incorporated herein by reference)
4.3	Form of Representative's Warrant Agreement (filed as Exhibit 4.3 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-193204), as filed on March 17, 2014, and incorporated herein by reference)
4.4	Form of Warrant to Purchase Common Stock of Aldeyra Therapeutics, Inc. (filed as Exhibit 4.4 to the Registrant's Current Report on Form 8-K as filed on January 15, 2015, and incorporated herein by reference)
4.5	Form of Warrant to Purchase Common Stock of Aldeyra Therapeutics, Inc. (filed as Exhibit 4.5 to the Registrant's Current Report on Form 8-K as filed on January 22, 2015, and incorporated herein by reference)
10.1	Form of Indemnity Agreement for Directors and Officers (filed as Exhibit 10.1 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-193204), as filed on March 17, 2014, and incorporated herein by reference)
10.2†	Offer Letter, effective as of August 1, 2013, between the Registrant and Todd C. Brady, M.D., Ph.D. (filed as Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-193204), as filed on January 7, 2014, and incorporated herein by reference)
10.3†	Offer Letter, effective as of July 15, 2013, between the Registrant and Scott L. Young (filed as Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-193204), as filed on January 7, 2014, and incorporated herein by reference)
10.4†	Offer Letter, effective November 29, 2013 between the Registrant and Todd C. Brady, M.D., Ph.D. (filed as Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-193204), as filed on January 7, 2014, and incorporated herein by reference)
10.4(a)†	Offer Letter Amendment, effective February 19, 2014 between the Registrant and Todd C. Brady, M.D., Ph.D (filed as Exhibit 10.4(a) to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-193204), as filed on March 17, 2014, and incorporated herein by reference)
10.5†	Offer Letter, effective November 27, 2013, between the Registrant and Scott L. Young (filed as Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-193204), as filed on January 7, 2014, and incorporated herein by reference)
10.5(a)†	Offer Letter Amendment, effective February 20, 2014 between the Registrant and Scott L. Young (filed as Exhibit 10.5(a) to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-193204), as filed on March 17, 2014, and incorporated herein by reference)

Exhibit Number	Exhibit Title
10.6†	2004 Employee, Director and Consultant Stock Plan, as amended, and form of option agreement thereunder (filed as Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-193204), as filed on January 7, 2014, and incorporated herein by reference)
10.7†	2010 Employee, Director and Consultant Equity Incentive Plan, as amended, and form of option agreement thereunder (filed as Exhibit 10.7 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-193204), as filed on January 7, 2014, and incorporated herein by reference)
10.8†	2013 Equity Incentive Plan and form of option agreement thereunder (filed as Exhibit 10.8 to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-193204), as filed on March 17, 2014, and incorporated herein by reference)
10.8.(a)†	Form Notice of Stock Option Grant under the 2013 Equity Incentive Plan (filed as Exhibit 10.8(a) to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-193204), as filed on March 17, 2014, and incorporated herein by reference)
10.8(b)†	Form Notice of Stock Unit Award under the 2013 Equity Incentive Plan (filed as Exhibit 10.8(b) to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-193204), as filed on March 17, 2014, and incorporated herein by reference)
10.10‡	License and Supply Agreement dated as of February 19, 2010 between the Registrant and CyDex Pharmaceuticals, Inc. (filed as Exhibit 10.2 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-193204), as filed on January 27, 2014, and incorporated herein by reference)
10.11	Loan and Security Agreement, dated as of April 12, 2012, between Square 1 Bank and the Registrant (filed as Exhibit 10.11 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-193204), as filed on January 7, 2014, and incorporated herein by reference)
10.12	Amendment No. 1 to Loan and Security Agreement, date as of November 20, 2013 between Square 1 Bank and the Registrant (filed as Exhibit 10.12 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-193204), as filed on January 7, 2014, and incorporated herein by reference)
10.13	Amendment No. 1 to Loan and Security Agreement, date as of November 20, 2013 between Square 1 Bank and the Registrant (filed as Exhibit 10.13 to the Registrant's Registration Statement on Form S-1 (SEC File No. 333-193204), as filed on January 7, 2014, and incorporated herein by reference)
10.14	Offer Letter dated June 13, 2014 between the Registrant and Stephen Tulipano (filed as Exhibit 10.14 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 (as filed on August 7, 2014, and incorporated herein by reference)
10.15	Sublease dated August 18, 2014 between the Registrant and MacLean Power L.L.C. (filed as Exhibit 10.15 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 (as filed on November 12, 2014, and incorporated herein by reference)
10.16	Second Amendment to Loan and Security Agreement, dated as of November 7, 2014, between Square 1 Bank and the Registrant (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K as filed on November 7, 2014, and incorporated herein by reference)
10.17	Form of Purchase Agreement dated January 12, 2015 (filed as Exhibit 10.42 to the Registrant's Current Report on Form 8-K as filed on January 13, 2015, and incorporated herein by reference)
10.18	Form of Registration Rights Agreement, dated as of January 14, 2015 (filed as Exhibit 10.43 to the Registrant's Current Report on Form 8-K as filed on January 15, 2015, and incorporated herein by reference)

Exhibit Number	Exhibit Title
10.19	Form of Purchase Agreement dated January 20, 2015 (filed as Exhibit 10.44 to the Registrant's Current Report on Form 8-K as filed on January 20, 2015, and incorporated herein by reference)
10.20	Form of Registration Rights Agreement, dated as of January 21, 2015 (filed as Exhibit 10.45 to the Registrant's Current Report on Form 8-K as filed on January 22, 2015, and incorporated herein by reference)
10.21	Third Amendment to Loan and Security Agreement, dated as of March 18, 2015, between Pacific Western Bank and the Registrant. (filed as Exhibit 10.21 to the Registrant's Quarterly Report on Form 10-Q as filed on May 14, 2015, and incorporated herein by reference)
10.22	Fourth Amendment to Loan and Security Agreement, dated as of November 9, 2015, between Pacific Western Bank and the Registrant. (filed as Exhibit 10.21 to the Registrant's Quarterly Report on Form 10-Q as filed on November 13, 2015, and incorporated herein by reference)
10.23*†	Offer Letter between the Registrant and David J. Clark, M.D. dated December 15, 2015
10.24*	Sublease dated as of March 7, 2016 between Planck, LLC and the Registrant and Master Lease dated June 3, 2014 between WLC Three VI, L.L.C. and Plank, LLC
10.25†	Aldeyra Management Cash Incentive Plan (filed as Exhibit 10.25 to the Registrant's Current Report on Form 8-K as filed on March 18, 2016, and incorporated herein by reference)
23.1*	Consent of BDO USA, LLP, independent registered public accounting firm
31.1*	Certification of the Chief Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Chief Financial Officer as required by Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certifications of the Chief Executive Officer and Chief Financial Officer as required by 18 U.S.C. 1350
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

† Compensation Arrangement.
‡ Confidential treatment has been granted with respect to certain portions of this document.
* Filed herewith.

ALDEYRA THERAPEUTICS, INC.
131 HARTWELL AVENUE, SUITE 320
LEXINGTON, MA 02421

December 15, 2015

David J. Clark, M.D.

Dear David,

Aldeyra Therapeutics, Inc. (the "Company") is pleased to offer you employment on the following terms:

1. **Position.** Your initial title will be Chief Medical Officer and you will initially report to the Company's President and Chief Executive Officer, Todd C. Brady. This is a full-time position. While you render services to the Company, you will not engage in any other employment, consulting or other business activity (whether full-time or part-time) that would create a conflict of interest with the Company. By signing this letter agreement, you confirm to the Company that you have no contractual commitments or other legal obligations that would prohibit you from performing your duties for the Company.

2. **Cash Compensation.** The Company will pay you a starting salary at the rate of $14,583.33 per pay period (twenty four pay periods per year), payable in accordance with the Company's standard payroll schedule. This salary will be subject to adjustment pursuant to the Company's employee compensation policies in effect from time to time. In addition, you will be eligible to be considered for an incentive bonus for each fiscal year of the Company. The bonus (if any) will be awarded based on objective or subjective criteria established by the Company's Chief Executive Officer and approved by the Company's Board of Directors or its Compensation Committee. Your target bonus will be equal to 35% of your annual base salary. Any bonus for the fiscal year in which your employment begins will be prorated, based on the number of days you are employed by the Company during that fiscal year. Any bonus for a fiscal year is expected to be paid within 2.5 months after the close of that fiscal year, but only if you are still employed by the Company at the time of payment. The determinations of the Company's Board of Directors or its Compensation Committee with respect to your bonus will be final and binding.

3. **Employee Benefits.** As a regular employee of the Company, you will be eligible to participate in a number of Company-sponsored benefits. In addition, you will be entitled to 4 weeks paid vacation in accordance with the Company's vacation policy, as in effect from time to time.

4. **Stock Options.** Subject to the approval of the Company's Board of Directors or its Compensation Committee, you will be granted an option to purchase 100,000 shares of the Company's Common Stock (the "Option"). The exercise price per share of the Option will be determined by the Board of Directors or the Compensation Committee when the Option is granted. The Option will be subject to the terms and conditions applicable to options granted under the Company's 2013 Stock Plan (the "Plan") and the applicable Stock Option Agreement. You will vest in 25% of the Option shares after 12 months of continuous service with the Company, and the balance will vest in equal monthly installments over the next 36 months of continuous service, as described in the applicable Stock Option Agreement. If the Company is subject to a Change in Control before your service with the Company terminates and you are subject to an Involuntary Termination within 12 months after that Change in Control, the Option will become fully vested and (if applicable) exercisable.

5. **Severance Benefits.**

   a. General. If you are subject to an Involuntary Termination, then you will be entitled to the benefits described in this Section 5. However, this Section 5 will not apply unless you (i) have returned all Company property in your possession, (ii) have resigned as a member of the Boards of Directors of the Company and all of its subsidiaries, to the extent applicable, and (iii) have executed a general release of all claims that you may have against the Company or persons affiliated with the Company. The release must be in the form prescribed by the Company, without alterations. You must execute and return the release on or before the date specified by the Company in the prescribed form (the "Release Deadline"). The Release Deadline will in no event be later than 50 days after your Separation. If you fail to return the release on or before the Release Deadline, or if you revoke the release, then you will not be entitled to the benefits described in this Section 5.

   b. Salary Continuation. If you are subject to an Involuntary Termination, then the Company will continue to pay your base salary for a period of 9 months after your Separation. Your base salary will be paid at the rate in effect at the time of your Separation and in accordance with the Company's standard payroll procedures. The salary continuation payments will commence within 60 days after your Separation and, once they commence, will include any unpaid amounts accrued from the date of your Separation; provided, however, if the 60-day period described in the preceding sentence spans two calendar years, then the payments will begin on first payroll date the following Release Deadline.

   c. Cash Bonus. If you are subject to an Involuntary Termination, then the Company will pay you a lump-sum in cash equal to the greater of (i) your target bonus for the year in which the Involuntary Termination occurs or (ii) the actual bonus paid to you with respect to the Company's most recently completed fiscal year. Such payment will be made within 60 days after your Separation; provided, however, if such 60-day period spans two calendar years, then the payment will in any event be made in the second calendar year on first payroll date following the Release Deadline.

d. COBRA. If you are subject to an Involuntary Termination and you elect to continue your health insurance coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA") following your Separation, then the Company will pay the same portion of your monthly premium under COBRA as it pays for active employees and their eligible dependents until the earliest of (i) the close of the 9-month period following your Separation, (ii) the expiration of your continuation coverage under COBRA or (iii) the date when you become eligible for substantially equivalent health insurance coverage in connection with new employment or self-employment. Such payments will be treated as taxable compensation income to you if required or advisable, in the Company's sole discretion, to avoid adverse consequences to you, the Company or the Company's other employees.

6. **Confidentiality, Non-Competition and Work Product Agreement.** Like all Company employees, you will be required, as a condition of your employment with the Company, to sign the Company's standard "Confidentiality, Non-Competition and Work Product Agreement", a copy of which is attached hereto as **Exhibit A.**

7. **Employment Relationship.** Employment with the Company is for no specific period of time. Your employment with the Company will be "at will," meaning that either you or the Company may terminate your employment at any time and for any reason, with or without cause, subject to the severance benefits you may be entitled to under this letter. Any contrary representations that may have been made to you are superseded by this letter agreement. This is the full and complete agreement between you and the Company on this term. Although your job duties, title, compensation and benefits, as well as the Company's personnel policies and procedures, may change from time to time, the "at will" nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of the Company (other than you).

8. **Tax Matters.**

a. Withholdings. All forms of compensation referred to in this letter agreement are subject to applicable withholding and payroll taxes and other deductions required by law.

b. Section 409A. For purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), each salary continuation payment under Section 5(b) is hereby designated as a separate payment. If the Company determines that you are a "specified employee" under Section 409A(a)(2)(B)(i) of the Code at the time of your Separation, then (i) the salary continuation payments under Section 5(b), to the extent that they are subject to Section 409A of the Code, will commence on the first business day following (A) expiration of the six-month period measured from your Separation or (B) the date of your death and (ii) the installments that otherwise would have been paid prior to such date will be paid in a lump sum when the salary continuation payments commence.

c. Tax Advice. You are encouraged to obtain your own tax advice regarding your compensation from the Company. You agree that the Company does not have a duty to design its compensation policies in a manner that minimizes your tax liabilities, and you will not make any claim against the Company, its Board of Directors or its Compensation Committee related to tax liabilities arising from your compensation.

9. **Interpretation, Amendment and Enforcement.** This letter agreement and Exhibit A supersede and replace any prior agreements, representations or understandings (whether written, oral, implied or otherwise) between you and the Company and constitute the complete agreement between you and the Company regarding the subject matter set forth herein. This letter agreement may not be amended or modified, except by an express written agreement signed by both you and a duly authorized officer of the Company. The terms of this letter agreement and the resolution of any disputes as to the meaning, effect, performance or validity of this letter agreement or arising out of, related to, or in any way connected with, this letter agreement, your employment with the Company or any other relationship between you and the Company (the "Disputes") will be governed by Massachusetts law, excluding laws relating to conflicts or choice of law. You and the Company submit to the exclusive personal jurisdiction of the federal and state courts located in Massachusetts in connection with any Dispute or any claim related to any Dispute.

Definitions. The following terms have the meaning set forth below wherever they are used in this letter agreement:

"Cause" means (a) your unauthorized use or disclosure of the Company's confidential information or trade secrets, which use or disclosure causes material harm to the Company, (b) your material breach of any written agreement between you and the Company, (c) your material failure to comply with the Company's written policies or rules, (d) your conviction of, or your plea of "guilty" or "no contest" to, a felony under the laws of the United States or any State, (e) your gross negligence or willful misconduct in performance of your duties, (f) your continuing failure to perform assigned duties after receiving written notification of the failure from the Company's Board of Directors or (g) your failure to cooperate in good faith with a governmental or internal investigation of the Company or its directors, officers or employees, if the Company has requested your cooperation.

"Change in Control" means (a) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing more than sixty percent (60%) of the total voting power represented by the Company's then-outstanding voting securities; (b) the consummation of the sale or disposition by the Company of all or substantially all of the Company's assets; (c) the

consummation of a merger or consolidation of the Company with or into any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) more than fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation; or (d) individuals who are members of the Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the members of the Board of Directors over a period of 12 months; provided, however, that if the appointment or election (or nomination for election) of any new member of the Board of Directors was approved or recommended by a majority *vote* of the members of the Incumbent Board then still in office, such new member shall, for purposes of this Agreement, be considered as a member of the Incumbent Board. A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction. In addition, if a Change in Control constitutes a payment event with respect to any Equity or other benefit that provides for a deferral of compensation and which is subject to Section 409A of the Code, then notwithstanding anything to the contrary in this letter agreement or in any document governing such award, the transaction with respect to such Equity or other benefit must also constitute a "change in control event" as defined in Treasury Regulation Section 1.409A-3(i)(S) to the extent required by Section 409A of the Code.

"Involuntary Termination" means either (a) your Termination Without Cause or (b) your Resignation for Good Reason.

"Resignation for Good Reason" means a Separation as a result of your resignation within 12 months after one of the following conditions has come into existence without your consent:

A reduction in your base salary or target bonus by more than 10% (unless in connection with a company wide cost reduction);

A material diminution of your authority, duties or responsibilities; or

A relocation of your principal workplace by more than 50 miles.

A Resignation for Good Reason will not be deemed to have occurred unless you give the Company written notice of the condition within 90 days after the condition comes into existence and the Company fails to remedy the condition within 30 days after receiving your written notice.

"Separation" means a "separation from service," as defined in the regulations under Section 409A of the Code.

"Termination Without Cause" means a Separation as a result of a termination of your employment by the Company without Cause, provided you are willing and able to continue performing services within the meaning of Treasury Regulation 1.409A-1(n)(1).

* * * * *

We hope that you will accept our offer to join the Company. You may indicate your agreement with these terms and accept this offer by signing and dating both the enclosed duplicate original of this letter agreement and the enclosed Confidentiality, Non-Competition and Work Product Agreement and returning them to me. This offer, if not accepted, will expire at the close of business on Friday, December 18, 2015. As required by law, your employment with the Company is contingent upon your providing legal proof of your identity and authorization to work in the United States. Your employment is also contingent upon (i) your starting work with the Company on or before Monday, January 11, 2016, (ii) your completing an employment application and (iii) a background and/or reference check to the Company's satisfaction.

If you have any questions, please call me at 781-761-4904 x207.

Very truly yours,

ALDEYRA THERAPEUTICS, INC.

/s/ Todd C. Brady
By: Todd C. Brady, M.D., PhD.
Title: President and Chief Executive Officer

I have read and accept this employment offer:

/s/ David J. Clark
Signature of David J. Clark, M.D.
Dated: December 15, 2015

Exhibit 10.24

SUBLEASE

THIS SUBLEASE, made and entered into as of the 7th day of March 2016, by and between PLANCK, LLC, a Delaware Limited Liability Company, having an office and place of business c/o Patch Media, 134 W. 29th St., 11th F1, New York, NY 10001 hereinafter called "**Sublessor**"**,** and ALDEYRA THERAPEUTICS, INC., a Delaware corporation, having an office and principal place of business at 131 Hartwell Avenue, Suite 320, Lexington, MA 02421, hereinafter called "**Sublessee**".

W I T N E S S E T H:

WHEREAS, by a certain written lease agreement dated June 3, 2014 (the "**Master Lease**"**),** WLC THREE VI, L.L.C. **(**"**Owner**"**)** leased to Sublessor those certain premises **(**"**Premises**"**)** consisting of approximately 3,188 rentable square feet of space on the 3rd floor of the building **(**"**Building**"**)** located at and commonly known as 131 Hartwell Avenue, Lexington, Massachusetts, which, together with such other improvements and appurtenances therein mentioned, are more particularly described in said Master Lease; and

WHEREAS, Sublessee desires to sublease and hire from Sublessor, and Sublessor is willing to sublet to Sublessee, the entire Premises as described in said Master Lease, as shown on the floor plan attached hereto as **Exhibit** "**A**" (hereinafter called the "**Sublease Premises**"**),** on the terms and conditions more particularly hereinafter set forth; and

WHEREAS, capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Master Lease.

NOW, THEREFORE, in consideration of the mutual covenants, conditions and agreements herein contained, Sublessor and Sublessee agree as follows:

1. Sublessor, for and in consideration of the rents and covenants specified to be paid, performed and observed by Sublessee, does hereby let, sublet, lease and demise to Sublessee the aforementioned Sublease Premises for the term and according to the covenants and conditions contained herein, together with all rights of Sublessor under the Master Lease with respect to use of the Common Areas, parking and other amenities. Sublessee shall use the Sublease Premises for general office purposes and for no other purpose whatsoever ("**Sublessee's Permitted Use**").

2. This Sublease term ("**Term**") shall commence ("**Commencement Date**") on the later to occur of (i) March 1, 2016, or (ii) one business day from the date of Owner's consent to this Sublease, and shall remain in effect until September 29, 2017 ("**Expiration Date**"), provided that Sublessor covenants that the Sublease Premises shall be vacant, broom clean and free of all personal property of Sublessor on the Commencement Date, Any rights or options of Sublessor under the Master Lease to extend the term of the Master Lease, to expand the Premises, or any rights of first offer or refusal are hereby specifically excluded from this Sublease.

3. (a) Sublessee shall pay to Sublessor as rent for said Sublease Premises for the term of this Sublease, the sum of twenty-one dollars ($21.00) per rentable square foot ($66,948.00) per annum, payable in monthly installments of $5,579.00) in advance commencing on the Commencement Date and thereafter on the first day of each and every month during the term hereof ("**Base Rent**"). In the event this Sublease commences on a date which is not the first of a month or ends on a day which is not the last day of a month, the first month's rent and/or the last month's rent, as applicable, shall be pro-rated on a per diem basis.

(b) In addition, Sublessee shall promptly pay Tenant's Proportionate Share of Operating Expenses and Taxes (which is 4.05% of the increases in Operating Expenses and Taxes over the Base Year, except that the Base Year shall mean calendar year 2016 for Operating Expenses and Tax Fiscal Year 2016, i.e., July 1, 2015 through June 30, 2016, for Taxes) to Sublessor in addition to the direct pass through of excess electricity costs for the Premises as provided in Paragraph 14 of the Master Lease (together, "**Additional Rent**"). Such amounts shall be payable within ten (10) days after Sublessor presents Sublessee with a bill therefor provided that such bill shall include the invoice received by the Sublessor from the Owner for such cost. Notwithstanding the foregoing, in the event that the electrical supply to the Sublease Premises is separately metered (Sublessor hereby representing that, as of the Commencement Date, the Sublease Premises is not separately metered), then Sublessee shall open an account with the supplier, and shall pay for the amount of electricity consumed in the Sublease Premises directly to the applicable utility provider, provided that to the extent that Base Rent is reduced under the Master Lease on account of such direct metering, then Base Rent under this Sublease shall be reduced by the same amount (it being understood that, except for Operating Expenses and excess electricity costs as provided in Paragraph 14 of the Master Lease, electricity is paid for on a rent inclusion basis under the Master Lease and this Sublease). It shall be a material default under this Sublease if Sublessee fails to timely pay for the electricity consumed in the Sublease Premises as set forth herein. Sublessee hereby acknowledges and agrees that in the event Sublessee wishes to use any utility or service, the cost of which is not included in the base services provided by Owner under the terms of the Master Lease (e.g., HVAC use outside of the normal business hours and other costs described in the Master Lease), Sublessee shall be solely responsible for the cost of any such utility or service utilized by Sublessee, and

the cost thereof shall be paid to Sublessor within ten (10) days of billing as Additional Rent, provided that such bill shall include the invoice received by the Sublessor from the Owner for such cost. Sublessor hereby agrees that Sublessee may request such services directly from Owner. Sublessor agrees that it will not impose a surcharge on such costs. Base Rent and all Additional Rent are hereinafter collectively called "**Rent**".

(d) Payment of Base Rent and Additional Rent and any other sum due and payable hereunder shall be made to Sublessor and sent to Planck LLC, PO Box 28762, New York, NY 10057-8762 or at such other place as Sublessor may designate in writing, without any offset or deduction whatsoever except as otherwise expressly set forth herein. The parties hereto agree and acknowledge that (i) no endorsement or statement on any check or any letter accompanying any check or payment shall be deemed to be an accord and satisfaction and Sublessor may accept any such check or payment without prejudice to Sublessor's right to recover the balance or pursue any other remedy provided in this Sublease or at law, and (ii) Sublessee shall be required to pay to Sublessor interest on any sum of money which Sublessee is required to pay to Sublessor pursuant to the terms of this Sublease that is not paid to Sublessor within five (5) business days of the due date and that such interest shall be calculated at an annual rate of 2% above the so-called "prime rate" of Citibank N.A. (or its successor), as announced from time to time, (or the maximum percent permitted by law, whichever is less) from the date that such sum becomes due until the date it is paid.

4. The provisions of the Master Lease are, except as otherwise herein specifically provided, hereby incorporated in this Sublease with the same effect as if entirely rewritten herein, and shall fix the rights and obligations of the parties hereto with respect to the Sublease Premises with the same effect as if Sublessor and Sublessee were, respectively, the landlord and tenant named in the Master Lease. Except with

respect to the payment of Rent and the Security Deposit under the Master Lease, Sublessee hereby covenants to perform the covenants and undertakings of Sublessor as tenant under the Master Lease to the extent the same are applicable to the Sublease Premises during the Term of this Sublease, and agrees not to do or permit to be done any act which shall result in a violation of any of the terms and conditions of said Master Lease. Except as otherwise specifically provided herein, Sublessee is to have the benefit of the covenants and undertakings of Owner as landlord in the Master Lease to the extent the same are applicable to the Sublease Premises during the term of this Sublease. It is expressly understood and agreed, however, that SUBLESSOR is not in the position to render any of the services or to perform any of the obligations required of Sublessor by the terms of this Sublease, and that performance by Sublessor of its obligations hereunder are conditioned upon due performance by Owner of its corresponding obligations under the Master Lease. It is further understood and agreed, therefore, that notwithstanding anything to the contrary contained in this Sublease, Sublessor shall not be in default under this Sublease for failure to render such services or perform such obligations required of Sublessor by the terms of this Sublease which are the responsibility of the Owner as landlord under the Master Lease, but Sublessor agrees to take all reasonable measures to insure that Owner performs said obligations. The term “reasonable measures” shall not include legal action against Owner for its failure to so perform unless Sublessee agrees to pay all costs and expenses in connection therewith which shall be payable as Additional Rent. With respect to any obligation of Sublessee to be performed under this Sublease for which a specific time for performance is not set forth herein, when the Master Lease grants Sublessor a specific number of days to perform its obligations thereunder, Sublessee shall have two (2) fewer days to perform. With respect to approval required to be obtained by “Landlord” under the Master Lease, such consent must be obtained from Owner and Sublessor and the approval of Sublessor may considered reasonably withheld if Master Landlord’s consent is not obtained, provided that Sublessor shall use reasonable efforts to obtain the consent or approval of Owner.

5. The parties agree that the following provisions of the Master Lease are, for the purposes of this Sublease, hereby deleted:

All references in the Master Lease to “Landlord’s” or “Owner’s Work”; the parties acknowledging that neither Landlord nor Sublessor are required to complete any improvements or alterations to the Sublease Premises;

All references to Rent Abatements; the parties acknowledge that there are no subrent abatements except as expressly set forth herein;

All references to security deposits; the parties acknowledge that no security deposit is required of Subtenant under this Sublease;

The remaining provisions of said Master Lease shall, for the purposes of this Sublease and to the extent that same are applicable, remain in full force and effect as between Sublessor and Sublessee as provided in Paragraph 4 of this Sublease, except as said provisions have been otherwise amended or modified by this Sublease. Should there be any conflict between the terms of this Sublease as specifically set out herein and the terms of the Master Lease which are incorporated herein by reference, the terms specifically set out herein shall control.

6. It is further understood and agreed that some of the provisions of the Master Lease incorporated herein by reference are hereby amended as follows:

Paragraph 15 (“Insurance”) shall require Sublessee to name Sublessor and Owner as additional insureds on Sublessee’s liability coverage;

Any provision of the Master Lease that requires the prior written consent of Owner shall also require the prior written consent of Sublessor, provided that Sublessor's consent shall not be unreasonably withheld, delayed or conditioned;

Sublessee shall have no right to enter the Sublease Premises until Owner consents to this Sublease, except for the purposes of taking measurements, and permitting its professionals to examine the space in anticipation of moving into the Premises;

Sublessee shall only be entitled to a refund of Additional Rent to the extent that Sublessor receives such reimbursement from the Owner except to the extent that Owner withholds payment from Sublessor on account of a dispute with Sublessor;

Sublessor, as sublessor hereunder, shall not be required to carry the insurance required to be carried by Landlord under the Master Lease; and

Subject to Owner's consent as set forth in the Master Lease, Sublessee shall have all signage rights granted to Sublessor under the Master Lease.

7. Any holding over by Sublessee beyond the Expiration Date of this Sublease shall be deemed unlawful unless expressly consented to by Sublessor in writing, and Sublessor shall be entitled to any and all remedies in law or in equity by reason of such unlawful holding over by Sublessee. Sublessee agrees to indemnify and save Sublessor harmless against and from any and all loss, cost, expense and liability incurred by Sublessor under the Master Lease by reason of any such holding over, including any consequential damages.

8. All notices, requests, demands and other communications with respect to this Sublease, whether or not herein expressly provided for, shall be in writing and shall be deemed to have been duly given the next business day after being deposited (in time for delivery by such service on such business day) with Federal Express or another national courier service, for delivery to the parties at the addresses listed below, or to such other address or addresses as may hereafter be designated by either party in writing for such purpose:

Sublessor:

PLANCK, LLC
c/o Patch Media
134 W. 29th St., 11th F1
New York, NY 10001

Sublessee:

ALDEYRA THERAPEUTICS, INC.
131 Hartwell Avenue, Suite 320
Lexington, MA 02421
Attention: Stephen Tulipano, CFO

9. This Sublease is subject and subordinate to the Master Lease in all respects, which Master Lease is attached hereto as **Exhibit "B".** Sublessee acknowledges that it has received a copy of said Master Lease and amendments and that no right, power or privilege granted to Sublessee benefiting Sublessee or binding Sublessor shall be operative if and to the extent that such exercise, enjoyment or operation would not be permitted by or would violate any term, covenant or condition of the Master Lease. Sublessor shall not voluntarily terminate or surrender the Master Lease. In the event of the expiration or earlier termination of the Master Lease, this Sublease shall automatically terminate on the date of the expiration or termination of the Master Lease, which shall be no less than thirty days from the date written notice is given to the Subtenant; provided, however, that those terms and conditions of this Sublease, that, by their nature, suggest at least partial performance or enforcement following such expiration or termination, including, but not limited to, indemnity obligations, shall survive any such expiration or termination of the Sublease. Further, in the event of any damage to or destruction of the Premises or the Building or in the

event that the Premises or the Building (or any portion thereof, including, any parking spaces allocated to Sublessor under the Master Lease) are taken for any public or quasi-public use in condemnation proceedings or by any right of eminent domain or sale in lieu of condemnation and if Sublessor or Owner elect to terminate the Master Lease pursuant to the terms of the Master Lease as a result of such damage, destruction or condemnation, then this Sublease shall automatically terminate. Upon any termination of this Sublease pursuant to the foregoing provisions of this Paragraph 9, Sublessee shall not have any right or claim against Sublessor on account of such termination. Sublessor, as "Tenant" under the Master Lease shall be entitled to any and all awards from any such condemnation permitted under the Master Lease without any payment to Sublessee, except that in the event such condemnation occurs prior to the second anniversary of the Sublease, Sublessee shall be entitled to a payment equaling the reasonable costs of moving from the Premises. Sublessee hereby waives any and all rights to pursue a reward in respect of condemnation loss against any condemning authority. Sublessor represents that it has not received any notice of condemnation proceedings, and has no actual knowledge of any condemnation proceedings.

10. Sublessee shall not assign this Sublease. Further, Sublessee shall not, without the prior written consent of Sublessor, which shall not be unreasonably withheld, delayed or conditioned, let or underlet or permit the said Sublease Premises or any part thereof to be used by others for hire. Any such assignment or sublet in violation of the foregoing shall, at the option of Sublessor, be void and of no force or effect.

11. Sublessee acknowledges that it has inspected the Sublease Premises demised hereunder, and, except as otherwise expressly set forth herein, agrees to accept the Sublease Premises in "AS IS" "WHERE IS CONDITION" condition "WITH ALL FAULTS" and subject to all applicable zoning, federal, state and local laws, ordinances and regulations governing and regulating the Sublease Premises, including but not limited to the Americans with Disabilities Act, and any covenants and restrictions of record and all matters disclosed thereby and by any exhibits attached to this Sublease. Sublessee further acknowledges that, except as otherwise expressly set forth herein, neither Sublessor or Owner has made any representations or warranties whatsoever with respect to the Sublease Premises, expressed and/or implied, or arising by operation of law, including, but not limited to, any warranty of condition, habitability, merchantability or fitness for a particular purpose and Sublessee agrees that neither Sublessor nor Owner have any obligation to alter or repair the Sublease Premises or to prepare the same in any way for Sublessee's occupancy or use (provided that the foregoing shall not derogate from Owner's repair and maintenance obligations under the Master Lease). Sublessor does not repeat or make any representation or warranty made by Owner in the Master Lease. Notwithstanding the foregoing, Sublessor represents that it has not received notice and has no actual knowledge that the conditions of the Subleased Premises is in violation of any Massachusetts or United States rules or regulations. Notwithstanding anything to the contrary contained herein, Sublessee shall make no alterations or improvements on or to the Sublease Premises without first obtaining the prior written consent of Sublessor and Owner, which consent of Sublessor shall not be unreasonably withheld, delayed or conditioned. Sublessee agrees and acknowledges that in granting consent to any Sublessee alterations, Owner may impose numerous conditions, procedures, fees and other requirements in accordance with the Master Lease.

12. Intentionally deleted.

13. SUBLESSOR and Sublessee each represent and warrant to the other that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Sublease. The parties know of no real estate broker or agent who is or might be entitled to a commission in connection with this Sublease. Sublessor and Sublessee each agree to indemnify, defend and hold the other harmless from all costs and liabilities, including reasonable attorneys' fees and costs, arising out of or in connection with claims made by any other broker or individual who alleges that it is entitled to commissions or fees with regard to this Sublease as a result of dealings it had with the indemnifying party.

14. (a) Sublessee shall indemnify and save harmless Sublessor and its officers, directors, agents and employees, against and from any and all liability, damage, expense, cause of action, suits, claims or judgments for injury or death to persons or damage to property sustained by anyone in and about said Sublease Premises or any part thereof, arising out of or in any way connected with Sublessee's or its agents, employees, contractors or invitees, use or occupation of the Sublease Premises or any breach of this Sublease or the Master Lease. Furthermore, all furnishings, fixtures, equipment, and property of every kind and description of Sublessee and of persons claiming by or through Sublessee which may be on the Sublease Premises shall be at the sole risk and hazard of Sublessee and no part of loss or damage thereto for whatever cause is to be charged to or borne by Sublessor.

(b) Sublessor shall indemnify and save harmless Sublessee and its officers, directors, agents and employees, against and from any and all liability, damage, expense, cause of action, suits, claims or judgments for injury or death to persons or damage to property sustained by anyone in and about said Sublease Premises or any part thereof, arising out of or in any way connected with Sublessor's or its agents, employees, contractors or invitees, use or occupation of the Sublease Premises or any breach of this Sublease or the Master Lease.

15. Sublessee shall not cause or permit any “Hazardous Substances” (as hereinafter defined) to be used, stored, generated or disposed of in, on or about the Sublease Premises by Sublessee, its agents, employees, contractors or invitees, except for such de minimis quantities of Hazardous Substances commonly found in office environments and which are necessary to Sublessee’s business. Any such Hazardous Substances permitted on the Sublease Premises as hereinabove provided, and all containers therefor, shall be used, kept, stored and disposed of in a manner that complies with all federal, state and local laws or regulations applicable to any such Hazardous Substances. Sublessee shall indemnify and hold harmless Sublessor from any and all claims, damages, fines, judgments, penalties, costs, expenses or liabilities (including, without limitation, any and all sums paid for settlement of claims, attorneys’ fees, consultant and expert fees) arising during or after the Sublease term from or in connection with the use, storage, generation or disposal of Hazardous Substances in, on or about the Sublease Premises by Sublessee, Sublessee’s agents, employees, contractors or invitees. As used herein, “**Hazardous Substances**” means any substance with is toxic, ignitable, reactive, or corrosive and which is regulated by any state or local government or by the United States government. “Hazardous Substances” includes any and all material or substances which are defined as “hazardous waste”, “extremely hazardous waste” or a “hazardous substance” pursuant to state, federal or local governmental law. “Hazardous Substances” includes but is not restricted to asbestos, polychlorinated biphenyls (“PCBs”) and petroleum products. Sublessor represents and covenants that, as of the Commencement Date, the Sublease Premises shall be free of Hazardous Substances.

16. This Agreement and any Exhibits attached hereto:

(a) Contain the entire agreement among the parties hereto with respect to the subject matter covered hereby;

(b) May not be amended or rescinded except by an instrument in writing executed by each of the parties hereto;

(c) Shall inure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto;

(d) May be executed in one or more counterparts, each of which, when so executed and delivered shall be deemed an original and all of which taken together shall constitute one and the same instrument;

(e) In the event that any covenant, condition or other provision herein contained is held to be invalid, void or illegal by any court of competent jurisdiction, the same shall be deemed severable from the remainder of this Sublease and shall in no way affect, impair or invalidate any other covenant, condition or other provision herein contained. If such condition, covenant or other provision shall be deemed invalid due to its scope or breadth, such covenant, condition or other provisions shall be deemed valid to the extent of the scope or breadth permitted by law;

(f) Sublessee represents and warrants that this Sublease has been duly authorized, executed, and delivered by and on behalf of Sublessee, and that this Sublease constitutes the valid, binding and enforceable agreement of the Sublessee in accordance with the terms hereof. Sublessor represents and warrants that this Sublease has been duly authorized, executed, and delivered by and on behalf of Sublessor, and that this Sublease constitutes the valid, binding and enforceable agreement of the Sublessor in accordance with the terms hereof;

(g) The waiver by Sublessor or Sublessee of any breach of any term, condition or covenant of this Sublease shall not be deemed to be a waiver of such provision or any subsequent breach of the same or any other term, condition or covenant of this Sublease. No covenant, term or condition of this Sublease shall be deemed to have been waived by Sublessor or Sublessee unless such waiver is in writing and signed by the waiving party;

(h) Sublessor may transfer the Sublease Premises and any of its rights under this Sublease or Master Lease without the consent of Sublessee. In the event that Sublessor, or any successor to the Sublessor's interest in the Sublease Premises, shall sell, convey, transfer or assign the Sublease Premises, all liabilities and obligations on the part of Sublessor, or such successor, under this Sublease, shall thereupon and thereby be released, and thereupon all such liabilities and obligations shall be binding upon the new sublessor and Sublessee shall look solely to such new sublessee for the performance of any of Sublessor's obligations hereunder. This Sublease and Sublessee's rights and obligations hereunder shall not otherwise be affected by any such sale, conveyance, transfer or assignment and Sublessee agrees to attorn to such new owner and execute any such documents evidencing such attornment;

(i) The submission of this Sublease for examination or the negotiation of the transaction described herein or the execution of this Sublease by only one of the parties shall not in any way constitute an offer to sublease on behalf of either Sublessor or Sublessee, and this Sublease shall not be binding on either party until duplicate originals thereof, duly executed on behalf of both parties, have been delivered to each of the parties hereto; and

(j) To the extent that Sublessor is entitled to an abatement of Rent under the Master Lease on account of a casualty, condemnation, a failure of services or a default of Owner, Sublessee shall be entitled to a corresponding abatement of Rent under this Sublease.

17. This Sublease is subject to and conditioned upon the written consent of Owner to this subletting, such consent to be given by Owner, per separate written agreement ("**Owner's Consent Form**"), no later than sixty (60) days after the date of this Sublease. In the event that the Owner fails to give its consent on or before the date that is sixty (60) days after the date of this Sublease, this Sublease shall be terminable by either Sublessee or Sublessor. Sublessee shall have no right to access the Sublease Premises or perform any work therein until such time as Sublessee has received an Owner's Consent Form acceptable to Sublessor and Sublessee in their respective reasonable discretion. Without limiting the foregoing, it is understood and agreed that the Owner's Consent Form shall not be deemed acceptable unless Owner agrees therein to waive Owner's relocation right under Section 28 of the Master Lease. Sublessor shall use reasonable efforts to promptly obtain an acceptable Owner's Consent Form.

18. Upon the expiration or sooner termination of the Sublease, Sublessee shall be responsible, to the extent required under the Master Lease, for the restoration of the Sublease Premises, but only to the extent of the removal of any and all alterations, furnishings, fixtures and wiring undertaken by Sublessee (it being understood and agreed that Sublessor shall remain responsible for the removal and restoration of all alterations, furnishings, fixtures and wiring undertaken by Sublessor to the extent required under the Master Lease). Notwithstanding the foregoing, in the event that Sublessee shall fail to restore the Sublease Premises to the extent required of Sublessee hereunder, Sublessor shall have the right to enter upon the Sublease Premises, in order to restore the same in accordance with the provisions hereof without incurring any liability or damages to the Sublessee and Sublessee shall have no right to abate Rent as

result of such entry by Sublessor. Notwithstanding the foregoing, provided (i) Sublessee enters into a Replacement Lease that allows Sublessee to remain in possession of the Sublease Premises beyond the Expiration Date, or (ii) Owner does not require any restoration in accordance with and subject to the terms of the Master Lease, then neither Sublessor nor Sublessee shall be obligated to comply with the restoration provisions of this Section 18.

19. Each of Sublessor and Sublessee, each as to itself, hereby represents its compliance with all applicable anti-money laundering laws, including, without limitation, the USA Patriot Act, and the laws administered by the United States Treasury Department's Office of Foreign Assets Control, including, without limitation, Executive Order 13224 ("**Executive Order**"). Expect with respect to any of Sublessor's or Sublessee's stock traded on a public stock exchange, each of Sublessor and Sublessee further represents (i) that it is not, and it is not owned or controlled directly or indirectly by any person or entity, on the SDN List published by the United States Treasury Department's Office of Foreign Assets Control and (ii) that it is not a person otherwise identified by government or legal authority as a person with whom a U.S. Person is prohibited from transacting business. As of the date hereof, a list of such designations and the text for the Executive Order are published under the internet website address www.ustreas.gov/offices/enforcement/ofac. If Sublessor transfers its interest under this Sublease by assignment or by other means (including any transfer by operation of law) and the transferee, assignee or other successor to Sublessor's interest (collectively, "**Sublessor Transferee**") is not a subsidiary or affiliate of Sublessor, then, in connection with such transfer, Sublessor Transferee shall warrant and represent to Sublessee, at the time of such transfer, each of the foregoing warranties and representations set forth above. If Sublessee transfers its interest under this Sublease,

by assignment or by other means (including any transfer by operation of law), and the transferee, assignee or other successor to Sublessee's interest (collectively, "**Sublessee Transferee**") is not a subsidiary or affiliate of Sublessee, then, in connection with such transfer, Sublessee Transferee shall warrant and represent to Sublessor, at the time of such transfer, each of the foregoing warranties and representations set forth above.

20. Sublessor represents and covenants to Sublessee as follows:

(a) the Master Lease attached hereto as **Exhibit "B"** is true, correct and complete and sets forth the entire agreement between Sublessor and Owner with respect to the Sublease Premises;

(b) the Master Lease is scheduled to expire on September 30, 2017;

(c) Sublessor is not in default of any of its obligations as tenant under the Master Lease;

(d) Owner is not in default of any of its obligations as landlord under the Master Lease;

(e) Sublessor shall pay all Base Rent and Additional Rent when due under the Master Lease and shall perform all other obligations of the tenant under Master Lease except to the extent imposed upon Sublessee hereunder;

(f) Sublessor shall, at its expense, promptly remove or cause Owner to remove all of Sublessor's signage at the Sublease Premises, the Building and the Common Areas, and shall cooperate with Sublessee, at Sublessee's expense, to have Sublessee's signage installed in place thereof;

(g) Sublessor shall not amend the Master Lease or voluntarily surrender the Sublease Premises or terminate the Master Lease without Sublessee's prior written consent;

(h) Sublessor is the owner of the entire interest of the tenant under the Master Lease and has not subleased or granted occupancy rights in the Sublease Premises to any other party; and

(i) Subject to the provisions of the Master Lease and this Sublease, Subtenant shall quietly hold and enjoy the Sublease Premises during the Term.

21. This Sublease may be executed in any number of counterparts. Each such counterpart shall for all purposes be deemed to be an original, and all such counterparts shall together constitute the same instruments. Faxed signatures and/or emailed, scanned signatures shall be deemed to be originals for the purpose of this Sublease.

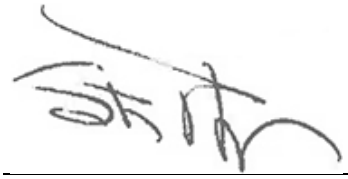
(SIGNATURE PAGE TO FOLLOW)

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals as of the day and year first above written.

PLANK LLC

By: 
Title: CFO

ALDEYRA THERAPEUTICS, INC.

By: 
Title: CFO

LEASE AGREEMENT

by and between

WLC THREE VI, L.L.C.,

as Landlord

and

PLANCK, LLC,

as Tenant

With respect to the property known as

131 Hartwell Avenue,

Lexington, Massachusetts

Dated as of

June 3, 2014

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LEASE AGREEMENT

This Lease Agreement (this "Lease") is made and entered into as of this day of , 2014, by and between WLC THREE VI, L.L.C., a Delaware limited liability company ("Landlord") and Planck, LLC, a Delaware limited liability company ("Tenant").

W I T N E S S E T H:

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.

1.1 "Additional Rent" shall mean Tenant's Pro Rata Share (as hereinafter defined) of Operating Expenses (as hereinafter defined), Tenant's Pro Rata Share of Taxes (as hereinafter defined), and all such other sums of money (exclusive of Base Rent) that are required to be paid by Tenant to Landlord hereunder.

1.2 "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
Commencement Date – Month 3	*$ 55,798.00	*$ 4,649.83
Months 4 – 14	$ 55,798.00	$ 4,649.83
Month 15	$ 73,324.00	$ 6,110.33
Months 16 – 27	$ 76,512.00	$ 6,376.00
Months 28 – 39	$ 79,700.00	$ 6,641.67

* 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 Premises during the first three (3) months of the Lease Term (as hereinafter defined).

1.3 "Base Year" shall mean calendar year 2014 with respect to Operating Expenses and Tax Fiscal Year 2014 with respect to Taxes.

1.4 "Broker(s)" shall mean CB Richard Ellis-N.E. Partners, Limited Partnership (representing Landlord exclusively) and Cassidy Turley (representing Tenant exclusively).

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

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

1.7 "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.

1.8 "Common Areas" shall mean those areas, including any applicable Parking Area (as hereinafter defined), located within the Property (as hereinafter defined) designated by Landlord, from time to time, for the common use or benefit of tenants generally and/or the public.

1.9 "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.

1.10 "Guarantor(s)" N/A

1.11 "Lease Term" shall mean a period commencing on the date upon which Landlord's Work (as hereinafter defined) is Substantially Complete (as hereinafter defined) (the "Commencement Date") and ending approximately thirty-nine (39) months thereafter (the "Expiration Date"), unless sooner terminated as provided herein. After the Commencement Date, Landlord and Tenant shall execute a Commencement Date Certificate in the form of Exhibit E (Form of Commencement Date Certificate) attached hereto.

1.12 "Lease Year" shall mean the twelve (12) month period commencing on the Commencement Date, and ending at midnight on the day before the anniversary of the Commencement Date; provided, however, that if the Commencement Date does not occur on the first day of a calendar month, the first Lease Year shall end at midnight on the last day of the calendar month which includes the first anniversary of the Commencement Date.

1.13 "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.

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

1.15 "Operating Hours" shall mean 7:00 a.m. to 6:00 p.m. Monday through Friday.

1.16 "Permitted Use" shall mean general office use and no other use or purpose.

1.17 "Premises" shall mean a portion of the 3rd Floor of the Building measuring approximately 3,188 rentable square feet, and shown on Exhibit A (Plan of Premises) to this Lease. 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.

1.18 "Property" shall mean the property known as "Lexington Crossing" and comprised of five (5) 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.

1.19 "Rentable Area of the Premises" shall mean 3,188 rentable square feet, as adjusted by Landlord from time to time due to a remeasurement of or change in the physical size of the Premises.

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

1.21 "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.

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

1.23 "Tenant's Pro Rata Share" shall mean 4.05%, 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 adjusted by Landlord from time to time due to a remeasurement of or change in the physical size of the Premises or the Building. In addition, notwithstanding the foregoing, Landlord may equitably adjust Tenant's Pro Rata Share for all or part of any item or expense or cost reimbursable by Tenant 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.

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, 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.

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." 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, 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, Tenant shall be entitled to a grace period of five (5) days after written notice from Landlord with respect to the first late payment in any calendar year.

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, or to assert any defense in the nature of constructive eviction to any action seeking to recover Rent.

3.5 Provided that Tenant is not then in an Event of Default (as hereinafter defined) under this Lease, then, during the first three (3) months 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 $13,949.49 (3 x $4,649.83 = $13,949.49). 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 grace 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/LETTER OF CREDIT. Simultaneously with the execution and delivery of this Lease, Tenant shall deliver to Landlord the sum of $13,949.49 (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 failure by Tenant to perform any of Tenant's covenants or obligations hereunder, 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 five (5) 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 that Tenant shall not be in an Event of Default (beyond any applicable notice and grace period) on the twelve-month anniversary of the Commencement Date, the Security Deposit shall be decreased to $9,299.66 on the twelve-month anniversary of the Commencement Date. If Tenant shall be in an Event of Default (beyond any applicable notice and grace period) on the twelve-month anniversary of the Commencement Date, the Security Deposit then in effect shall remain in place (without reduction) for the balance of the Lease Term.

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. 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 and healthful condition, and comply with all Legal Requirements with reference to the use, condition, configuration or occupancy of the Premises.

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).

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 Tenant shall save Landlord, together with Landlord's members and managers, and their respective members and managers, partners, shareholders, officers, directors, agents and employees ("Landlord's Agents"), harmless and indemnified 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: (a) 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; (b) the act or omission of Tenant or Tenant's Agents in violation of Environmental Requirements; and (c) 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 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: (i) 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 (ii) 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.

8. INITIAL IMPROVEMENTS TO THE PREMISES.

8.1 Landlord's Work.

(a) Landlord, at Landlord's sole cost and expense, shall perform the work ("Landlord's Work") set forth in the job budget (the "Job Budget") prepared by Vantage Builders, Inc., dated May 22, 2014, consisting of two (2) pages, and attached hereto as Exhibit D (Job Budget) in order to deliver the Premises in accordance with the space plan prepared by Design-Science, dated April 29, 2014, consisting of one (1) page, and attached hereto as Exhibit A (Plan of Premises).

(b) Subject to delays due to events of Force Majeure (as hereinafter defined) or Tenant Delay (as hereinafter defined), Landlord shall use reasonable care and diligence 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; provided, however, that in the event that Landlord does not Substantially Complete (as hereinafter defined) Landlord's Work on or before June 27, 2014 (the "Outside Completion Date"), Landlord shall provide Tenant with a license to use a portion of the 2nd Floor of the Building measuring approximately 2,426 rentable square feet, and shown on Exhibit F (Plan of Temporary Premises) to this Lease (the "Temporary Premises").

(c) Landlord's Work shall be performed in a Building Standard manner using Building Standard materials.

(d) If Tenant wants Landlord to perform or supply any additional work or non-Building Standard work, installations, materials or finishes ("Extra Work") over and above, or in lieu of, Landlord's Work, Landlord may refuse such request for Extra Work. Any agreement to do Extra Work must be in writing describing the Extra Work, the price to be paid by Tenant and any payment terms therefor. Any and all costs incurred for the preparation, filing or approval of plans and specifications relating to Extra Work shall be paid for by Tenant without regard to whether or not Landlord agrees to do Extra Work. If Tenant fails to make any agreed payment for 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.

(e) 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: (i) Landlord's performance of Extra Work; or (ii) 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 cost for Landlord's Work, and (b) the Commencement Date shall be deemed to be the date on which Landlord's Work would have been Substantially Complete but for the delay.

(f) Substantial Completion of Landlord's Work. Landlord's Work shall be deemed "Substantially Complete" when Landlord's construction representative certifies that Landlord's Work has been completed in accordance with the Job Budget and the Plan of Premises, Punchlist Items (as hereinafter defined) excepted.

(g) Tenant Delay. A "Tenant Delay" shall be defined as any act or omission by Tenant, or Tenant's Agents, which causes an actual delay in the performance of Landlord's Work. Notwithstanding the foregoing, no event shall be deemed to be a Tenant Delay unless and until Landlord has given Tenant written notice (the "Tenant Delay Notice") advising Tenant: (i)

that a Tenant Delay is occurring, (ii) of the basis on which Landlord has determined that a Tenant Delay is occurring, and (iii) the actions which Landlord believes that Tenant must take to eliminate such Tenant Delay and Tenant has failed to correct the Tenant Delay specified in the Tenant Delay Notice within forty-eight (48) hours following receipt of the Tenant Delay Notice. No period of time prior to the expiration of the cure period shall be included in the period of time charged to Tenant pursuant to such Tenant Delay Notice.

(h) Punchlist Items. Promptly following delivery of the Premises to Tenant with Landlord's Work with respect thereto Substantially Complete, Landlord, Tenant and their respective construction representatives shall inspect the Premises and prepare a list of outstanding items which need to be completed to make Landlord's Work comply with the Job Budget ("Punchlist Items"). Landlord shall use good faith 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.

8.2 Tenant's Work.

(a) Cost of Tenant's Work; Priority of Work. Landlord agrees to allow Tenant access to the Premises fourteen (14) days prior to the Commencement Date for the sole purpose of installing Tenant's furniture, fixtures and equipment ("Tenant's Work") and Cable Work (as hereinafter defined). Tenant's Work shall be performed at Tenant's sole cost and expense. Landlord and Tenant shall each take commercially reasonable measures to ensure that Landlord's contractors and Tenant's contractors cooperate in commercially reasonable ways with each other to avoid any delay in either Landlord's Work or Tenant's Work or any conflict with the performance of either Landlord's Work or Tenant's Work, Tenant acknowledging, however, that in the case of conflict that is not reasonably avoidable, the performance of Landlord's Work shall have priority. Tenant shall reimburse Landlord, within thirty (30) days after demand therefor, for any out-of-pocket expenses (including third-party charges) incurred by Landlord in connection with the performance of Tenant's Work. Tenant shall not perform any portions of Tenant's Work outside of normal construction hours (i.e., outside of 6:00 a.m. to 6:00 p.m. on Business Days) ("After-Hours Work") without the prior written consent of Landlord. Tenant acknowledges and agrees that (i) if Tenant performs any After-Hours Work, and (ii) such After-Hours Work (a) requires access to any areas outside of the Premises, or (b) affects the exterior, architectural design or structural components of the Building, or affects the Building systems (including, without limitation, the roof, mechanical, electrical, plumbing, heating, ventilation, and air conditioning ("HVAC"), telecommunication, life safety, and security systems), then Tenant shall (y) give Landlord at least twenty-four (24) hours' notice of such After-Hours Work so that Landlord may arrange to have Landlord's supervisory personnel on site, and (z) reimburse Landlord, within thirty (30) days after demand therefor, for the cost of Landlord's supervisory personnel overseeing the After-Hours Work at the rate of $75.00 per hour.

(b) If Tenant, with Landlord's prior written approval, takes possession of the Premises prior to the Commencement Date, such possession shall be subject to all of the terms, covenants and conditions of this Lease, including, without limitation, Section 10 (Alterations, Additions and Improvements to the Premises) and Section 15 (Insurance), except that Tenant

shall not be required to pay Base Rent and Additional Rent with respect to the period of time prior to the Commencement Date during which Tenant performs such work; provided, however, that Tenant shall be liable for the cost of any utilities and services that are provided to Tenant during the period of Tenant's possession prior to the Commencement Date. Tenant shall coordinate such entry and installations with Landlord's property manager.

8.3 Quality and Performance of Work. All work required or permitted by this Lease, whether constituting part of Landlord's Work, Tenant's Work, Cable Work or Alterations (as hereinafter defined), shall be done in a good and workmanlike manner, by contractors approved by Landlord, and in compliance with all Rules and Regulations, construction rules and regulations ("Construction Rules and Regulations"), Legal Requirements, and other provisions (including, without limitation, insurance provisions) of this Lease. Each party authorizes the other party to rely upon the written approval or other written authorizations of any construction representative of the party designated by the party in connection with design and construction.

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 8.3 (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. 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) days after receipt of notice by 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 costs attributable to 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 fees of any consulting engineers and other experts).

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 the prior consent of Landlord 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 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. 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 Tenant'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, before the end of the Lease Term, 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 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.

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 ten (10) days after receipt of a written statement from Landlord setting forth the taxes applicable to Tenant's Property. As used herein, "Tenant's Property" includes, but is not limited to, all tangible and intangible goods and accounts, inventory, merchandise, furniture, fixtures, equipment (including computer equipment and any data stored thereon) and systems, as well as the property of others held or leased by Tenant or otherwise in the Premises.

10.4 Additional Covenants.

(a) All Alterations shall be made (i) at Tenant's sole cost and expense, and (ii) according to plans and specifications approved in writing by Landlord (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 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 with Landlord's contractors ("Landlord's Contractors").

(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 so discharge such lien or encumbrance 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.

11. SIGNAGE. Tenant shall not place, erect, maintain or display any sign or other marking of any kind whatsoever on the windows, doors or exterior walls of the Premises and shall not place any blinds, curtains, drapes or coverings over the exterior windows or on the window surfaces which are visible from the outside of the Building. Landlord, at Landlord's sole cost and expense, shall provide Tenant with Building Standard signage (a) on the directory to the Building lobby and (b) on the directory to the floor on which the Premises are located. Landlord acknowledges and agrees that the Building Standard signage described in this Section may be in the name of "Patch Media."

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; (d) janitorial service in the Premises and the Common Areas on Business Days; (e) passenger elevator service, 24 hours a day, 7 days a week; and (f) freight elevator service (to the extent available in the Building) on Business Days, upon request of Tenant, and subject to scheduling with Landlord's property manager. In the event Tenant requests, and Landlord provides, HVAC service to the

Premises outside of Operating Hours, Tenant agrees to pay Landlord for such HVAC service at the then current Building rate, which is currently $35.00 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.

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.

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 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 ten percent (10%) 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 paid for by Tenant through inclusion in Base Rent and Operating Expenses (except as provided below with respect to excess usage). 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. In the event Tenant shall request that it be allowed to consume

electrical services in excess of Building Standard, Landlord may refuse to consent to such usage or may consent upon such conditions as Landlord reasonably elects, and all such excess usage shall be paid for by Tenant as Additional Rent. Landlord, at any time during the Lease Term, shall have the right (a) to separately meter electricity for the Premises, in which case electricity shall be paid by Tenant directly to the Electric Service Provider, (b) to sub-meter or check meter electricity for the Premises, in which case electricity shall be paid by Tenant to Landlord as Additional Rent, or (c) to measure electrical usage by survey or any other method that Landlord, in its reasonable judgment, deems appropriate.

15. INSURANCE.

15.1 Intentionally Omitted.

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 determined by Landlord 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 and $3,000,000.00 annual aggregate. 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, together with Landlord's property manager and Landlord's mortgagee (if any) ("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 X (10) or larger or otherwise acceptable to Landlord. At or prior to the Commencement Date, Tenant shall deposit with Landlord a

certified copy of the insurance binder (countersigned by the insurer) or other evidence of insurance satisfactory to Landlord 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'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's Insured Parties from such termination, unless a written waiver of the specific insurance requirement(s) is provided to Tenant by 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 determined by Landlord 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 and $3,000,000.00 annual aggregate (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'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 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. 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 (including, without limitation, the Premises); (b) the occupancy of the Premises or use of the Common Areas 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.

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 through Tenant or Tenant's Agents, for any accident, injury or damage occurring in or about the Premises or the Property causing injury to persons or damage to property (including, without limitation, the Premises) 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 portion of the Property becoming out of repair or by 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, 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 (a) more than two hundred (270) 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, or (b) 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 the Premises or the Building, as the case may be, shall be deemed "substantially damaged." If the Premises or the Building are deemed substantially damaged, Landlord may elect to terminate this Lease by giving Tenant written notice of such termination within sixty (60) days after the Event of Casualty. In addition, if the Premises or the Building are substantially damaged, 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 casualty occurrence, 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 act or omission 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 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 reasonable judgment, would render the Premises untenantable for the Permitted Use.

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) the transferee is an occupant of the Property; (e) there is then occurring an Event of Default (or there is then occurring an event which with passage of time or the giving of notice, or both, 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 omitted; (i) the Transfer is not approved of by any Superior Lessor (as hereinafter defined) or Superior Mortgagee (as hereinafter defined); (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; (1) 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 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 one (1) subtenant 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 or 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: (i) notify Tenant in writing of its decision to consent or withhold consent to the Transfer; (ii) in the event of a proposed assignment of this Lease, terminate this Lease effective the first to occur of sixty (60) days following written notice of such termination or the date that the proposed Transfer would have come into effect; or (iii) in the event of a proposed subletting of all or any portion of the Premises, terminate this Lease effective the first to occur of sixty (60) days following written notice of such termination or the date that the proposed Transfer would have come into effect, it being specifically agreed that Landlord may terminate this Lease with respect to the entire Premises even if Tenant proposes to sublease only a portion of the Premises. In addition, Tenant shall reimburse Landlord for its reasonable 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 (i) the amounts paid as rent and additional rent by the subtenant to Tenant in and for each month of the sublease term and (ii) 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 (ii) 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), 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), paid and incurred by Tenant in connection with the assignment.

(c) Landlord shall have the right at any 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 (i) its outstanding voting stock is listed on a recognized security exchange, or (ii) 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, (i) if the last two sentences of Section 20.4(a) are applicable, proof of listing on a recognized security exchange, or (ii) 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 Landlord's Agents, as well as any Superior Lessor, Superior Mortgagee, prospective lessor, prospective mortgagee, or prospective purchaser, provided such parties are advised of such confidentiality obligations.

(c) Notwithstanding any other provision of Section 20 to the contrary, Tenant may assign its interest in this Lease or sublet the Premises (i) to any entity controlling, controlled by, or under common control with Tenant, or (ii) to any successor to Tenant by purchase, merger, consolidation or reorganization (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 not then occurring an event which with passage of time or the giving of notice, or both, 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, 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 at least equal to the greater of Tenant's Net Worth as of the date of this Lease or Tenant's Net Worth as of the day prior to the proposed transfer 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 thirty (30) 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 late payment in any calendar year; (b) subject to Section 21(c), 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; (c) Tenant fails to perform or observe any of the covenants with respect to (i) Section 10 (Alterations, Additions and Improvements to the Premises), (ii) Section 15 (Insurance), (iii) Section 20 (Assignment and Subletting), (iv) Section 30 (Financial Statements), (v) Section 31 (Tenant Estoppel Certificates), or (vi) Section 32 (Subordination); provided, however, that Tenant shall not be deemed to be in an Event of Default under Section 21(c) until five (5) days after written notice from Landlord with respect to the particular item that is the subject of the Event of Default; (d) the leasehold interest of Tenant is levied upon or attached under process of law; (e) Tenant or any guarantor of this Lease dies or dissolves; (f) Tenant abandons or vacates the Premises; (g) 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 sixty (60) days after filing; (h) Tenant shall generally not pay Tenant's debts as such debts become due, or 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; (i) 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; (j) Tenant conducts or permits to be conducted, either voluntarily or involuntarily, any auction in or upon the Premises or the Property; or (k) 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 grace period provisions in clauses (a) and (b) above shall have no application to the Events of Default referred to in clauses (c) through (k) 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 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 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 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 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, (a) the unamortized portion of any concessions offered by Landlord to Tenant in connection with this Lease, including, without limitation, (i) 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), (ii) deferred or abated rent, and (iii) brokerage commissions; (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 Intentionally Omitted

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: (i) violate any restriction, covenant, or requirement contained in the lease of another tenant of the Property, (ii) adversely affect, in Landlord's good faith opinion, the reputation of the Property, or (iii) 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.

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 additional time as is reasonably required to cure such default, provided that Landlord diligently pursues such cure to completion). It is the express understanding and agreement of the parties, and a condition of Landlord's agreement to execute this Lease, that 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 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. Notwithstanding anything to the contrary contained herein, whenever a period of time is herein prescribed for the taking of any action by Landlord, Landlord 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.

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. RELOCATION. At any time during the Lease Term, including any extensions thereof, upon sixty (60) days prior written notice to Tenant ("Landlord's Relocation Notice"), Landlord, in its sole and absolute discretion, may relocate Tenant to comparable office space within the Property, in which event the terms hereof shall apply in all manner and respect except Base Rent and Additional Rent will be adjusted for variation in the square footage of the new leased premises (the "Relocation Premises"); provided, however, that (a) in no event will Landlord exercise the relocation right described in this Section more than once during the Lease Term and (b) in no event will Base Rent and Additional Rent for the Relocation Premises exceed Base Rent and Additional Rent payable for the Premises. Landlord agrees to make reasonable efforts to accommodate Tenant's requests regarding the size, layout, Building/Property location and level of finish of the Relocation Premises, and agrees that the Relocation Premises shall have a level of finish at least equal to the level of finish of the Premises. Landlord shall pay or credit

Tenant's actual and commercially reasonable expenses for the cost of relocating Tenant to the Relocation Premises, subject to adjustment by Tenant's authentication of the same. Should Tenant fail to relocate to the Relocation Premises as required herein, such failure shall be deemed a holding over by Tenant under Section 36 hereof.

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 eleven (11) 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 eleven (11) 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. Tenant hereby represents and warrants to Landlord that any financial statements previously furnished to Landlord were at the time given true and correct in all material respects, and that there have been no material changes thereto as of the date of this Lease (which representations and warranties shall be deemed to be continuing and re-made at all times during the Lease Term). In addition, upon request, and within ten (10) days after written notice given by or on behalf of Landlord, 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. 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 Landlord's Agents, as well as any Superior Lessor, Superior Mortgagee, prospective lessor, prospective mortgagee, or prospective purchaser, provided such parties are advised of such confidentiality obligations.

31. TENANT ESTOPPEL CERTIFICATES.

31.1 Upon request, and within ten (10) 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 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, Tenant hereby irrevocably constitutes Landlord as its attorney-in-fact to execute such instrument in Tenant's name, place and stead, it being agreed that such power is coupled with an interest in Landlord and is accordingly irrevocable.

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, any Superior Lessor or any Superior Mortgagee, Tenant shall promptly execute, acknowledge and deliver any reasonable instrument of subordination that Landlord, any Superior Lessor or any Superior Mortgagee may reasonably request. If Tenant fails to execute any such instrument of subordination within the time-frame required by this Section, Tenant hereby irrevocably constitutes Landlord as its attorney-in-fact to execute such instrument in Tenant's name, place and stead, it being agreed that such power is coupled with an interest in Landlord and is accordingly irrevocable. 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 their 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 Commencement Date, then to:

Planck, LLC
675 Avenue of the Americas
New York, NY 10010
Attention: Damian Noto

With a copy to:

Garvey Schubert Barer
1191 Second Avenue, 18th Floor
Seattle, WA 98101
Attention: Daniel Bugbee

And on or after the Commencement Date, then to:

Planck, LLC
131 Hartwell Avenue
Lexington, MA 02421
Attention: Bruce Hill

With a copy to:

Planck, LLC
675 Avenue of the Americas
New York, NY 10010
Attention: Damian Noto

And:

Garvey Schubert Barer
1191 Second Avenue, 18th Floor
Seattle, WA 98101
Attention: Daniel Bugbee

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.
c/o Cushman & Wakefield of Massachusetts
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, etc. 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 terms "reasonable wear and tear" and "ordinary wear and tear" constitute 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 terms excuse Tenant from its duty to keep the Premises in good maintenance and repair or 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 be required to remove Landlord's Work. Tenant shall, at its sole cost and expense, repair any damage caused by the removal of Tenant's Work, Alterations and Tenant's Property, and perform such other work as is reasonably necessary to restore the Premises to "move in" condition. 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 equity: (i) remove and store such items; and/or (ii) 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 200% of (i) the then-current Annual Base Rent, or (ii) 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, 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: (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 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; (g) to 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) if Tenant has vacated the Premises during the last six (6) months of the Lease Term, to perform additions, alterations and improvements to the Premises in connection with a reletting or anticipated reletting thereof without being responsible or liable for the value or preservation of any then-existing improvements to the Premises and without effectuating a surrender or entitling Tenant to any setoff or abatement of Rent; (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, alterations or additions 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) to temporarily close the Premises, the Building or the Property 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 any legal or beneficial interest whatsoever in Tenant, nor any persons or entities controlled by Tenant, are or will at any time during the Lease Term be (i) 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; (ii) 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; (iii) 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 (iv) 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 (i) any U.S. anti-money laundering law, (ii) the Foreign Corrupt Practices Act, (iii) the U.S. mail and wire fraud statutes, (iv) the Travel Act, (v) any similar or successor statutes, or (vi) 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. Tenant represents and warrants 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. Tenant shall provide Landlord with corporate resolutions or other proof in a form acceptable to Landlord authorizing the execution of this Lease at the time of such execution.

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, if required by applicable law in order to protect Tenant's interest in the Premises, 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. 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. TEMPORARY PREMISES. In the event that Landlord does not Substantially Complete Landlord's Work on or before the Outside Completion Date, Landlord shall provide Tenant with a license to use the Temporary Premises. Such license shall be subject to all of the terms, covenants and conditions of this Lease, except that Tenant shall not be required to pay Base Rent and Additional Rent with respect to the Temporary Premises; provided, however, that Tenant shall be liable for the cost of any utilities and services that are provided to Tenant with respect to the Temporary Premises. All other non-economic terms of this Lease shall apply, subject to the following additional terms and conditions:

40.1 The Temporary Premises shall be provided on an "as is," "where-is," and "with all faults" basis. By taking possession of the Temporary Premises, Tenant is deemed to have accepted the Temporary Premises and agreed that the Temporary Premises are in good order and satisfactory condition, with no representations or warranties of any kind or nature, expressed or implied, by Landlord as to the condition of the Temporary Premises, the Building, the Property, or the suitability thereof for Tenant's use.

40.2 If, within ten (10) days after Landlord has notified Tenant that Landlord's Work is Substantially Complete, Tenant fails to surrender the Temporary Premises (or any portion thereof) in accordance with the provisions of this Lease, including, without limitation Section 35 (Surrender of Premises), 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 200% of (i) the then-current Annual Base Rent (which shall be calculated at the rate of $23.00 per RSF based on 2,426 RSF), or (ii) the fair market rental for the Temporary 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 Temporary Premises, all Tenant's obligations with respect to the use, occupancy and maintenance of the Temporary 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, 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 40.2 shall survive the expiration or earlier termination of this Lease.

40.3 Tenant agrees to keep the Temporary Premises in good order, condition and repair, excepting only reasonable wear and tear, casualty and condemnation, and shall indemnify Landlord against any and all damage to the Temporary Premises or the Building arising from Tenant's use of the Temporary Premises. Tenant agrees not to make any alterations, additions, improvements or other changes in or to the Temporary Premises, other than the installation of typical office decorations and furnishings which are not affixed to the realty, without the prior written consent of Landlord.

40.4 Tenant shall, at all times during the period that Tenant is in possession of the Temporary Premises (or any portion thereof), procure and maintain at its sole cost and expense insurance in accordance with Section 15 (Insurance) of this Lease.

40.5 Tenant may not assign, mortgage, pledge, encumber or otherwise transfer its interest or rights under Section 40, and any such purported transfer or attempted transfer shall be null and void and without effect, shall terminate Tenant's rights under Section 40, and shall constitute an Event of Default under this Lease.

40.6 It is understood that Tenant's rights under Section 40 in no way constitute a tenancy, and that nothing herein shall be constituted to create in whole or in part, expressly or by implication, an estate or interest in land.

40.7 If Tenant fails to perform any obligation hereunder, Landlord shall have all rights and remedies available at law or equity after giving Tenant written notice of such default.

41. 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 - Job Budget

Exhibit E - Form of Commencement Date Certificate

Exhibit F - Plan of Temporary Premises

[END OF TEXT; COUNTERPART SIGNATURE PAGE FOLLOWS.]

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: Vice President
Hereunto duly authorized

[COUNTERPART SIGNATURE PAGE TO LEASE]

TENANT:

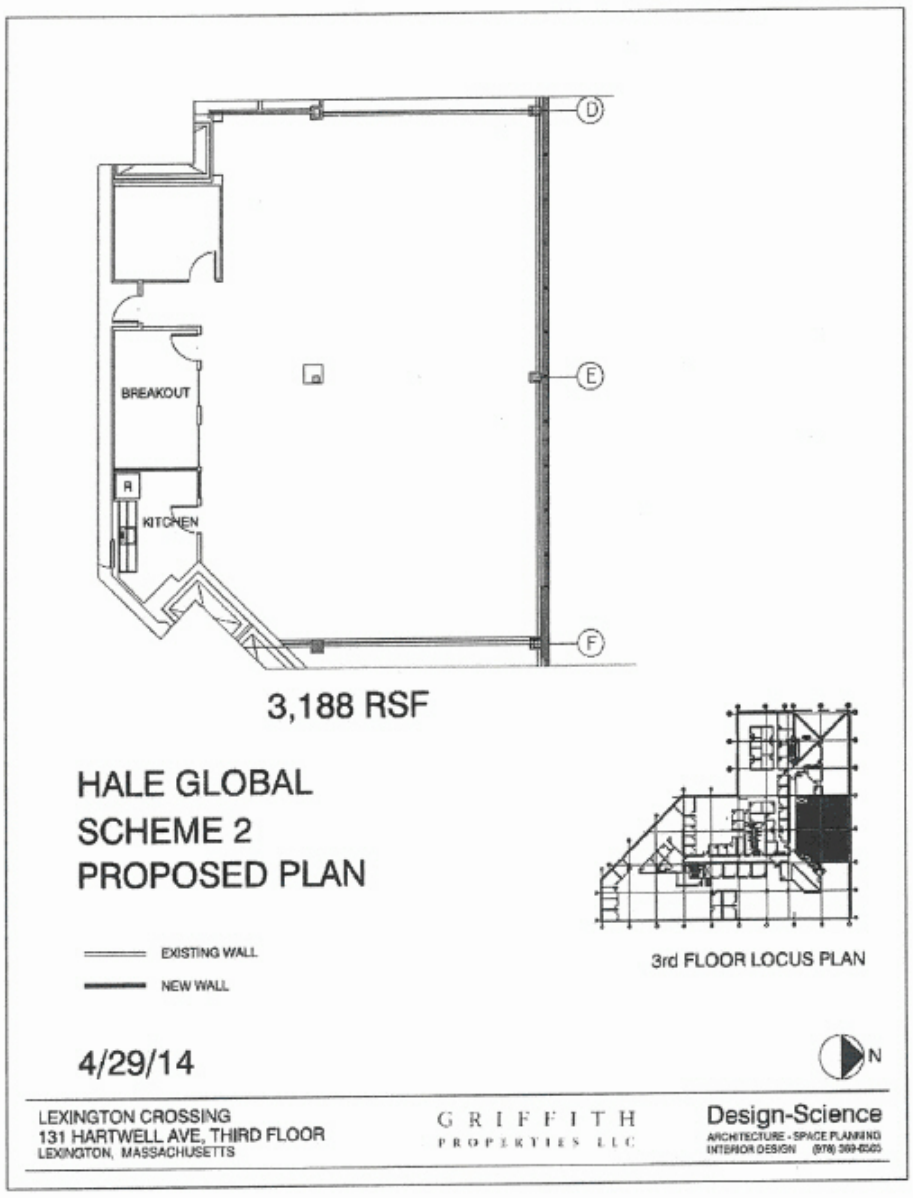
PLANCK, LLC,
a Delaware limited liability company

By: /s/ Charles Hale
Name: Charles Hale
Title: Manager
Hereunto duly authorized

[COUNTERPART SIGNATURE PAGE TO LEASE]

EXHIBIT A
PLAN OF PREMISES

(ATTACHED, CONSISTING OF 1 PAGE)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NEW WALL
3rd FLOOR LOCUS PLAN
4/29/14
N
LEXINGTON CROSSING
131 HARTWELL AVE, THIRD FLOOR
LEXINGTON, MASSACHUSETTS
GRIFFITH
PROPERTIES LLC
Design-Science
ARCHITECTURE - SPACE PLANNING
INTERIOR DESIGN

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 (as hereinafter defined) 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 (as hereinafter defined) 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 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 (i) Operating Expenses for the applicable full or partial calendar year and Tenant's Pro Rata Share thereof and (ii) 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, Tenant shall pay Landlord, as Additional Rent, a monthly installment equal to one-twelfth of Tenant's Pro Rata Share of (i) Landlord's estimate of the amount by which Operating Expenses for the applicable calendar year will exceed Operating Expenses for the Base Year, and (ii) 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.

As soon as is practical following the end of each calendar year during the Lease Term, Landlord shall furnish to Tenant a statement of Landlord's actual Operating Expenses and Taxes for the previous calendar year and Tax Fiscal Year. 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, on 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 this clause shall survive the expiration or earlier termination of this Lease.

B. "Essential Capital Improvements" shall mean capital improvements made to the Property (including the Building), which are (i) are anticipated to result in a reduction in (or minimize increases in) Operating Expenses (regardless of whether such result is achieved), (ii) are required to comply with any present or anticipated conservation programs, (iii) are required to comply with any Legal Requirements coming into applicability after the date of this Lease, (iv) are necessary to enhance Building systems or improve security measures at the Property, or (v) 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.

C. "Operating Expenses" shall mean any and all of Landlord's operating expense costs of any kind or nature paid or incurred in the ownership, 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: (i) 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); (ii) any insurance premiums and deductibles paid by Landlord; (iii) Property personnel costs, including, without limitation, salaries, wages, fringe benefits, taxes, insurance and other direct and indirect costs; (iv) management fees; (v) 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, and shuttle services; (vi) all other service, maintenance and repair expenses, and the cost of all materials and supplies therefor; (vii) the cost of any additional services not provided to the Property on the Commencement Date but thereafter provided by Landlord in the prudent management of the Property; (viii) 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 (ix) any other costs and expenses (other than capital improvements) incurred by Landlord in operating the Property (including the Building).

Operating Expenses shall not include the following: (i) rent or other charges payable under any ground or underlying lease; (ii) any expenditures on account of Landlord's acquisition of air or similar development rights; (iii) costs of repositioning, selling or syndicating Landlord's interest

in the Property; (iv) costs with respect to any financing or refinancing of the Property, including debt service, amortization, points and commissions in connection therewith; (v) 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; (vi) services performed for or provided to any tenant to the extent such services are exclusive to such tenant; (vii) advertising and promotional expenditures, contributions or gifts; (viii) brokerage fees or commissions; (ix) legal fees incurred in connection with Landlord's preparation, negotiation and enforcement of leases with other tenants; (x) salaries for any agents or employees of Landlord above those attributable to the operation, maintenance and management of the Property; or (xi) any costs which have been previously included in Operating Expenses or Taxes (whether under the same or a different category).

D. "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 accrued with respect to such Tax Fiscal Year, as opposed to the real estate taxes and assessments paid or payable for such Tax Fiscal Year.

E. 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.

[END OF TEXT]

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

Aldeyra Therapeutics, Inc.
Lexington, Massachusetts

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-206539) and Form S-8 (Nos. 333-196674 and 333-203076) of Aldeyra Therapeutics, Inc. of our report dated March 30, 2016, relating to the financial statements of Aldeyra Therapeutics, Inc., which appears in this Annual Report on Form 10-K for the year ended December 31, 2015.

/s/ BDO USA, LLP
Boston, Massachusetts

March 30, 2016

Exhibit 31.1

CERTIFICATION

I, Todd C. Brady, certify that:

1. I have reviewed this annual report on Form 10-K of Aldeyra Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statements 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 consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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.

Date: March 30, 2016

/s/ Todd C. Brady, M.D., Ph.D.
Todd C. Brady, M.D., Ph.D.
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Stephen J. Tulipano, certify that:

1. I have reviewed this annual report on Form 10-K of Aldeyra Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statements 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 consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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.

Date: March 30, 2016

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

Exhibit 32.1

CERTIFICATION

In connection with the Annual Report of Aldeyra Therapeutics, Inc. (the "Registrant") on Form 10-K for the annual period ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Todd C. Brady, M.D., Ph.D., Chief Executive Officer and Director of the Registrant, and Stephen J. Tulipano, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to their respective knowledge:

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

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

Date: March 30, 2016

/s/ Todd C. Brady, M.D., Ph.D.
Todd C. Brady, M.D., Ph.D.
Chief Executive Officer and Director
(Principal Executive Officer)

Date: March 30, 2016

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

This certification is made solely for the purposes of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose. A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the United States Securities and Exchange Commission or its staff upon request.

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.