UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

OR

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

Commission File Number: 001-38130

Aileron Therapeutics, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**13-4196017**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
281 Albany Street Cambridge, MA	**02139**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (617) 995-0900

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒ (Do not check if a small reporting company)	Small reporting company	☐
		Emerging growth Company	☒

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

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

As of August 6, 2018, the registrant had 14,737,402 shares of common stock, $0.001 par value per share, outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

AILERON THERAPEUTICS, INC.
CONDENSED BALANCE SHEETS (UNAUDITED)

(In thousands, except share and per share data)

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 11,980	$ 11,863
Investments	23,811	38,889
Prepaid expenses and other current assets	1,390	1,000
Restricted cash	25	88
Total current assets	37,206	51,840
Property and equipment, net	4,123	154
Restricted cash, non-current	568	—
Other assets	680	694
Total assets	$ 42,577	$ 52,688
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,583	$ 1,600
Accrued expenses and other current liabilities	4,781	3,291
Total current liabilities	6,364	4,891
Construction financing liability, net of current portion	3,345	—
Total liabilities	9,709	4,891
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 5,000,000 shares authorized at June 30, 2018 and December 31, 2017, respectively; no shares issued and outstanding at June 30, 2018 and December 31, 2017	—	—
Common stock, $0.001 par value; 150,000,000 shares authorized at June 30, 2018 and December 31, 2017; 14,737,402 and 14,723,818 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	15	15
Additional paid-in capital	186,890	184,761
Accumulated other comprehensive loss	(12)	(33)
Accumulated deficit	(154,025)	(136,946)
Total stockholders' equity	32,868	47,797
Total liabilities and stockholders' equity	$ 42,577	$ 52,688

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

AILERON THERAPEUTICS, INC.
CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (UNAUDITED)

(In thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue	$ —	$ —	$ —	$ —
Operating expenses:				
Research and development	5,320	3,161	10,166	6,103
General and administrative	4,339	1,791	7,256	3,438
Total operating expenses	9,659	4,952	17,422	9,541
Loss from operations	(9,659)	(4,952)	(17,422)	(9,541)
Interest income	168	29	343	61
Net loss	(9,491)	(4,923)	(17,079)	(9,480)
Accretion of redeemable convertible preferred stock to redemption value	—	(21)	0	(41)
Net loss attributable to common stockholders	$ (9,491)	$ (4,944)	$ (17,079)	$ (9,521)
Net loss per share attributable to common stockholders—basic and diluted	$ (0.64)	$ (10.98)	$ (1.16)	$ (21.56)
Weighted average common shares outstanding—basic and diluted	14,737,236	450,495	14,734,775	441,661
Comprehensive loss:				
Net loss	(9,491)	(4,923)	$ (17,079)	$ (9,480)
Other comprehensive loss:				
Unrealized gain on investments, net of tax of $0	38	—	21	—
Total other comprehensive loss	38	—	21	—
Total comprehensive loss	$ (9,453)	$ (4,923)	$ (17,058)	$ (9,480)

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

AILERON THERAPEUTICS, INC.
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)

	Six Months Ended June 30,	
	2018	**2017**
Cash flows from operating activities:		
Net loss	$ (17,079)	$ (9,480)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	82	45
Net amortization of premiums and discounts on investments	(93)	—
Stock-based compensation expense	2,101	469
Change in deferred rent	(11)	(11)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	141	(291)
Other assets	15	59
Accounts payable	(22)	(500)
Accrued expenses and other current liabilities	481	252
Net cash used in operating activities	(14,385)	(9,457)
Cash flows from investing activities:		
Purchases of property and equipment	(213)	(47)
Purchases of investments	(20,763)	(8,747)
Proceeds from sales or maturities of investments	35,955	6,800
Net cash provided by (used in) investing activities	14,979	(1,994)
Cash flows from financing activities:		
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs	—	472
Proceeds from exercise of stock options	28	80
Payments of initial public offering costs	—	(419)
Net cash provided by financing activities	28	133
Net increase (decrease) in cash, cash equivalents and restricted cash	622	(11,318)
Cash, cash equivalents and restricted cash at beginning of period	11,951	20,715
Cash, cash equivalents and restricted cash at end of period	$ 12,573	$ 9,397
Supplemental disclosure of non-cash financing activities:		
Accretion of redeemable convertible preferred stock to redemption value	$ —	$ 41
Deferred offering costs included in accounts payable and accrued expenses	$ —	$ 1,803
Capitalization of construction-in-progress related to facility lease obligation	$ 3,940	$ —
Fixed asset addition included in accounts payable and accrued expenses	$ 1,025	$ —

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

1. Nature of the Business and Basis of Presentation

Aileron Therapeutics, Inc. ("Aileron" or the "Company") is a clinical-stage biopharmaceutical company that is focused on developing and commercializing a novel class of therapeutics called stapled peptides. The Company's lead product candidate, ALRN-6924, targets the tumor suppressor p53 for the treatment of a wide variety of cancers. ALRN-6924 reactivates p53-mediated tumor suppression by targeting the two primary p53 suppressor proteins, MDMX and MDM2. ALRN-6924 was in multiple clinical trials as of June 30, 2018 and December 31, 2017.

The Company is subject to risks common to companies in the biotechnology industry, including but not limited to, new technological innovations, protection of proprietary technology, dependence on key personnel, compliance with government regulations and the need to obtain additional financing. Product candidates currently under development will require significant additional research and development efforts, including extensive preclinical and clinical testing and regulatory approval, prior to commercialization. These efforts require significant amounts of additional capital, adequate personnel infrastructure, and extensive compliance-reporting capabilities.

The Company's product candidates are in development. There can be no assurance that the Company's research and development will be successfully completed, that adequate protection for the Company's intellectual property will be obtained, that any products developed will obtain necessary governmental regulatory approval or that any approved products will be commercially viable. Even if the Company's drug development efforts are successful, it is uncertain when, if ever, the Company will generate significant revenue from product sales. The Company operates in an environment of rapid change in technology and substantial competition from pharmaceutical and biotechnology companies. In addition, the Company is dependent upon the services of its key employees and consultants.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Reverse Stock Split

On June 16, 2017, in connection with its initial public offering of its common stock ("IPO"), the Company effected a one-for-9.937 reverse stock split of its issued and outstanding shares of common stock and a proportional adjustment to the existing conversion ratios for each series of the Company's redeemable convertible preferred stock (see Note 6). Accordingly, all common share and per share amounts for all periods presented in the accompanying financial statements and notes thereto have been adjusted retroactively, where applicable, to reflect this reverse stock split and the associated adjustment of the preferred stock conversion ratios.

Initial Public Offering

On June 28, 2017, the Company's registration statement on Form S-1 relating to its IPO was declared effective by the Securities and Exchange Commission ("SEC"). In the IPO, which closed on July 5, 2017, the Company issued and sold 3,750,000 shares of common stock at a public offering price of $15.00 per share for net proceeds of $50,009 after deducting underwriting discounts and commissions of $3,937 and offering expenses of $2,304. Upon the closing of the IPO, all 106,114,520 shares of redeemable convertible preferred stock then outstanding converted into an aggregate of 10,509,774 common shares.

Liquidity

In accordance with Accounting Standards Update ("ASU") No. 2014-15, *Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern* (Subtopic 205-40), management must evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the company's ability to continue as a going concern within one year after the date that the financial statements are issued. This evaluation initially does not take into consideration the potential mitigating effect of management's plans that have not been fully implemented as of the date the financial statements are issued. When substantial doubt exists under this methodology, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the company's ability to continue as a going concern. The mitigating effect of management's plans, however, is only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that the financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. Generally, to be considered probable of being effectively implemented, the plans must have been approved before the date that the financial statements are issued.

The Company's financial statements have been prepared on the basis of continuity of operations, realization of assets and the satisfaction of liabilities in the ordinary course of business. Through June 30, 2018, the Company has funded its operations with net proceeds of $50,009 from its IPO, $131,211 from sales of preferred stock and $34,910 from a collaboration agreement. As of June 30, 2018, the Company had cash, cash equivalents and investments of $35,791. The Company has incurred losses and negative cash flows from operations and had an accumulated deficit of $154,025 as of June 30, 2018. The Company expects to continue to generate losses for the foreseeable future.

As of August 7, 2018, the date of issuance of these unaudited interim condensed financial statements, the Company expects that its cash, cash equivalents and investments of $35,791 as of June 30, 2018 will be sufficient to fund its operating expenses and capital expenditure requirements through at least the next twelve months. The future viability of the Company is dependent on its ability to raise additional capital to finance its operations. Although the Company has been successful in raising capital in the past, there is no assurance that it will be successful in obtaining such additional financing on terms acceptable to the Company, if at all.

To execute its business plans, the Company will need substantial funding to support its continuing operations and pursue its growth strategy. Until such time as the Company can generate significant revenue from product sales, if ever, it expects to finance its operations through the sale of common stock in public offering and/or private placements, debt financings or other capital sources, including collaborations with other companies or other strategic transactions. The Company may not be able to obtain financing on acceptable terms or at all. The terms of any financing may adversely affect the holdings or the rights of the Company's stockholders. If the Company is unable to obtain funding, the Company could be forced to delay, reduce or eliminate some or all of its research and development programs, product portfolio expansion plans or commercialization efforts, which could adversely affect its business prospects.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant estimates and assumptions reflected in these financial statements include, but are not limited to, the accrual of research and development expenses and the valuation of common stock and stock-based awards. Estimates are periodically reviewed in light of changes in circumstances, facts and experience. Actual results could differ from the Company's estimates.

Unaudited Interim Financial Information

The accompanying unaudited condensed financial statements as of June 30, 2018 and for the six months ended June 30, 2018 and 2017 have been prepared by the Company, pursuant to the rules and regulations of the SEC for interim financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 that was filed with the SEC on April 2, 2018.

The unaudited interim condensed financial statements have been prepared on the same basis as the audited annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the Company's financial position as of June 30, 2018, the results of its operations for the three and six months ended June 30, 2018 and 2017 and its cash flows for the six months ended June 30, 2018 and 2017. The financial data and other information disclosed in these notes related to the three and six months ended June 30, 2018 and 2017 are unaudited. The results for the six months ended June 30, 2018 are not necessarily indicative of results to be expected for the year ending December 31, 2018, any other interim periods, or any future year or period. The accompanying balance sheet as of December 31, 2017 has been derived from the Company's audited financial statements for the year ended December 31, 2017 previously filed with the SEC.

Cash Equivalents

The Company considers all short-term, highly liquid investments with original maturities of 90 days or less at acquisition date to be cash equivalents. Cash equivalents, which consist of money market accounts, corporate notes and commercial paper, are stated at fair value.

Restricted Cash

As of June 30, 2018, current restricted cash of $25 consisted entirely of cash deposited in a separate restricted bank account as a security deposit for the Company's corporate credit cards. As of December 31, 2017, current restricted cash consisted of $25 of cash deposited in a separate restricted bank account as a security deposit for the Company's corporate credit cards and $63 of cash deposited in a separate restricted bank account as a security deposit for the lease of the Company's facility. As of June 30, 2018, non-current restricted cash consisted of $568 of cash deposited in a separate restricted bank account as a security deposit for the lease of the Company's new facility (see Note 11).

Investments

The Company classifies its available-for-sale investments as current assets on the balance sheet if they mature within one year from the balance sheet date.

The Company classifies all of its investments as available-for-sale securities. The Company's investments are measured and reported at fair value using quoted prices in active markets for similar securities or using other inputs that are observable or can be corroborated by observable market data. Unrealized gains and losses on available-for-sale securities are reported as accumulated other comprehensive income (loss), which is a separate component of stockholders' equity (deficit). The cost of securities sold is determined on a specific identification basis, and realized gains and losses are included in other income (expense) within the statements of operations and comprehensive loss.

The Company evaluates its investments with unrealized losses for other-than-temporary impairment. When assessing investments for other-than-temporary declines in value, the Company considers such factors as, among other things, how significant the decline in value is as a percentage of the original cost, how long the market value of the investment has been less than its original cost, the Company's ability and intent to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value and market conditions in general. If any adjustment to fair value reflects a decline in the value of the investment that the Company considers to be "other than temporary", the Company reduces the investment to fair value through a charge to the statements of operations and comprehensive loss. No such adjustments were necessary during the periods presented.

Fair Value Measurements

Certain assets and liabilities are carried at fair value under GAAP. 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 must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable.

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The Company's cash equivalents and investments are carried at fair value, determined according to the fair value hierarchy described above (see Note 3). The carrying values of the Company's accounts payable and accrued expenses approximate their fair value due to the short-term nature of these liabilities.

Net Income (Loss) per Share

The Company follows the two-class method when computing net income (loss) per share as the Company has issued shares that meet the definition of participating securities. The two-class method determines net income (loss) per share for each class of common and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed.

Basic net income (loss) per share attributable to common stockholders is computed by dividing the net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted net income (loss) attributable to common stockholders is computed by adjusting income (loss) per share attributable to common stockholders to reallocate undistributed earnings based on the potential impact of dilutive securities. Diluted net income (loss) per share attributable to common stockholders is computed by dividing the diluted net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding for the period, including potential dilutive common shares. For purpose of this calculation, outstanding options to purchase common stock and shares of redeemable convertible preferred stock are considered potential dilutive common shares.

The Company's redeemable convertible preferred stock contractually entitled the holders of such shares to participate in dividends but contractually did not require the holders of such stock to participate in losses of the Company. Accordingly, in periods in which the Company reports a net loss attributable to common stockholders, diluted net loss per share attributable to common stockholders is the same as basic net loss per share attributable to common stockholders, since dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which supersedes all existing revenue recognition requirements, including most industry-specific guidance. The FASB continued to issue accounting standards updates to clarify and provide implementation guidance related to *Revenue from Contracts with Customers*, including ASU 2016-08, *Revenue from Contract with Customers: Principal versus Agent Considerations*, ASU 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*, and ASU 2016-12, *Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients.* These new standards were adopted in the first quarter of 2018 and are effective for the Company beginning January 1, 2018. The adoption of these standards did not have an impact on the Company's financial position, results of operations or cash flows as the Company does not currently have any revenue generating arrangements.

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash* ("ASU 2016-18"). In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). In May 2017, the FASB issued ASU No. 2017-09, *Compensation – Stock Compensation* ("ASU 2017-09"), *Scope of Modification Accounting* which amends ASC Topic 718. These new standards were effective for annual periods beginning after December 15, 2017 and for interim periods within those fiscal years. The adoption of these standards in the first quarter of 2018 did not have a material impact on the Company's financial position, results of operations or cash flows.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, ("ASU 2016-02"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees or lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months, regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. ASU 2016-02 (Accounting Standards Codification ("ASC") Topic 842) supersedes the previous leases standard, ASC 840, *Leases*. The standard is effective for public entities for annual periods beginning after December 15, 2018 and for interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the potential impact that the adoption of ASU 2016-02 will have on its financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's financial statements upon adoption.

3. Fair Value of Financial Assets

The following tables present information about the Company's assets that are measured at fair value on a recurring basis and indicate the level of the fair value hierarchy utilized to determine such fair values:

	Fair Value Measurements as of June 30, 2018 using:			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	$ 8,975	$ —	$ —	$ 8,975
Commercial paper	—	1,495	—	1,495
Investments:				
Corporate notes	—	10,226	—	10,226
Commercial paper	—	13,585	—	13,585
	$ 8,975	$ 25,306	$ —	$ 34,281

	Fair Value Measurements as of December 31, 2017 using:			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	$ 10,509	$ —	$ —	$ 10,509
Investments:				
Corporate notes	—	25,710	—	25,710
Commercial paper	—	13,179	—	13,179
	$ 10,509	$ 38,889	$ —	$ 49,398

As of June 30, 2018 and December 31, 2017, the Company's cash equivalents and investments were invested in money market funds, corporate notes and commercial paper and were valued based on Level 1 and Level 2 inputs. In determining the fair value of its corporate notes and commercial paper at each date presented above, the Company relied on quoted prices for similar securities in active markets or using other inputs that are observable or can be corroborated by observable market data. The Company's cash equivalents have original maturities of less than 90 days from the date of purchase. All available-for-sale investments have contractual maturities of less than one year. During the six months ended June 30, 2018 and the year ended December 31, 2017, there were no transfers between Level 1, Level 2 and Level 3.

4. Investments

As of June 30, 2018 and December 31, 2017, the fair value of available-for-sale investments by type of security was as follows:

	June 30, 2018			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Investments:				
Corporate notes	$ 10,235	$ —	$ (9)	$ 10,226
Commercial paper	13,588	—	(3)	13,585
	$ 23,823	$ —	$ (12)	$ 23,811

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Investments:				
Corporate notes	$ 25,733	$ —	$ (23)	$ 25,710
Commercial paper	13,189	—	(10)	13,179
	$ 38,922	$ —	$ (33)	$ 38,889

5. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	June 30, 2018	December 31, 2017
External research and development services	$ 1,694	$ 1,284
Construction-in-progress related to facility lease obligation	1,020	—
Payroll and payroll-related costs	846	1,120
Accrued severance	508	—
Professional fees	458	536
Other	255	351
	$ 4,781	$ 3,291

6. Redeemable Convertible Preferred Stock

Prior to the closing of the Company's IPO in July 2017, the Company had shares of redeemable convertible preferred stock outstanding, including shares of Series A, Series A-1, Series B, Series C-1 and Series C-2 redeemable convertible preferred stock (collectively, the "Junior Preferred Stock") and Series D, Series D-1, Series E, Series E-1, Series E-2, Series E-3 and Series F redeemable convertible preferred stock (collectively, the "Senior Preferred Stock" and, together with the Junior Preferred Stock, the "Redeemable Preferred Stock"). The Redeemable Preferred Stock is classified outside of stockholders' equity (deficit) because the shares contain redemption features that are not solely within the control of the Company.

In February 2017, the Company issued 483,501 shares of Series F redeemable convertible preferred stock (the "Series F preferred stock") at a price of $1.36 per share, resulting in proceeds of $626, net of issuance costs of $32. Pursuant to the amended Series F preferred stock purchase agreement, holders of 4,411,765 shares of Series E-1 preferred stock that participated in the February 2017 closing elected to convert their shares of Series E-1 preferred stock into 4,411,765 shares of Series E-3 preferred stock.

The Company determined that the conversion of shares of preferred stock that occurred in February 2017 represented modifications of these securities for accounting purposes; however, the modifications did not result in the recognition of a deemed dividend for accounting purposes because the modifications did not result in a transfer of value from common stockholders to preferred stockholders.

Pursuant to the terms of the amended Series F preferred stock purchase agreement, if the second tranche closing did not occur prior to the closing of the Company's initial public offering of common stock, then, immediately prior to such closing, the purchasers of the Series F preferred stock would be required to purchase a number of shares of the Company's common stock equal to $11,516 divided by the price per share paid by the public in the initial public offering in a concurrent private offering. This requirement to purchase shares immediately prior to the closing of the Company's initial public offering could be waived in whole or in part by the Company's board of directors. On June 15, 2017, the Company's board of directors waived in whole, effective immediately prior to the closing of the Company's IPO, the requirement of the purchasers of Series F preferred stock to purchase shares of the Company's common stock in a concurrent private offering in connection with the Company's initial public offering.

Upon the closing of the Company's IPO on July 5, 2017, all shares of the Redeemable Preferred Stock converted into an aggregate of 10,509,774 shares of common stock. As of June 30, 2018, there were no shares of Redeemable Preferred Stock authorized, issued or outstanding.

7. Stock-Based Awards

2017 Stock Incentive Plan

The Company's 2017 Stock Incentive Plan (the "2017 Plan") was approved by the Company's stockholders on June 16, 2017 and became effective on June 28, 2017. Under the 2017 Plan, the Company may grant incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, awards of restricted stock units and other stock-based awards. The Company's employees, officers, directors, consultants and advisors are eligible to receive awards under the 2017 Plan; however, incentive stock options may only be granted to employees. The 2017 Plan is administered by the board of directors or, at the discretion of the board of directors, by a committee of the board. The number of shares of common stock covered by options and the date those options become exercisable, type of options to be granted, exercise prices, vesting and other restrictions are determined at the discretion of the board of directors, or its committee if so delegated.

Stock options granted under the 2017 Plan with service-based vesting conditions generally vest over four years and may not have a duration in excess of ten years, although options have been granted with vesting terms of less than four years.

The total number of shares of common stock that may be issued under the 2017 Plan was 2,579,341 as of June 30, 2018, of which 1,501,886 shares remained available for grant. The Company initially reserved 1,244,816 shares of common stock plus the number of shares equal to the sum of the number of shares of common stock then available for issuance under the 2016 plan, which was 424,601 shares, and the number of shares of common stock subject to outstanding awards under the 2006 plan and the 2016 plan that expire, terminate or are otherwise surrendered, canceled, forfeited or repurchased by us at their original issuance price pursuant to a contractual repurchase right. The number of shares of common stock that may be issued under the 2017 Plan will automatically increase on each January 1, beginning with the fiscal year ending December 31, 2018 and continuing for each fiscal year until, and including, the fiscal year ending December 31, 2027, equal to the least of (i) 1,244,816 shares, (ii) 4% of the outstanding shares of common stock on such date and (iii) an amount determined by the Company's board of directors. On January 1, 2018, the number of shares of common stock that may be issued under the 2017 Plan increased by 588,953 shares.

During the six months ended June 30, 2018, pursuant to the terms of the 2017 Plan, the Company granted options to employees and directors to purchase 271,000 shares of common stock at a weighted average exercise price of $7.01 per share.

Shares that are expired, terminated, surrendered or canceled without having been fully exercised will be available for future awards. In addition, shares of common stock that are tendered to the Company by a participant to exercise an award are added to the number of shares of common stock available for the grant of awards.

The exercise price for stock options granted may not be less than the fair market value of the common stock as of the date of grant.

2017 Employee Stock Purchase Plan

On June 16, 2017, the Company's stockholders approved the 2017 Employee Stock Purchase Plan (the "2017 ESPP"), which became effective on June 28, 2017. A total of 150,000 shares of common stock were initially reserved for issuance under this plan. The number of shares of common stock that may be issued under the 2017 ESPP will automatically increase on each January 1, beginning with the fiscal year ending December 31, 2018 and continuing for each fiscal year until, and including, the fiscal year ending December 31, 2027, equal to the least of (i) 622,408 shares, (ii) 1% of the outstanding shares of common stock on such date and (iii) an amount determined by the Company's board of directors. On January 1, 2018, the Company's board of directors determined not to increase the number of shares of common stock that may be issued under the 2017 ESPP.

2016 Stock Incentive Plan

The Company's 2016 Stock Incentive Plan (the "2016 Plan") provided for the Company to grant incentive stock options or nonqualified stock options, restricted stock, restricted stock units and other equity awards to employees, directors and consultants of the Company. The 2016 Plan was administered by the board of directors or, at the discretion of the board of directors, by a committee of the board. The exercise prices, vesting and other restrictions were determined at the discretion of the board of directors, or its committee if so delegated.

Stock options granted under the 2016 Plan with service-based vesting conditions vest over four years and expire after ten years.

In connection with the IPO, the board of directors determined to grant no further awards under the 2016 Plan. No stock options or other awards have been made under the 2016 Plan since the adoption of the 2017 Plan.

Shares that are expired, terminated, surrendered or canceled without having been fully exercised will be available for future awards under the 2017 Plan. In addition, shares of common stock that are tendered to the Company by a participant to exercise an award are added to the number of shares of common stock available for the grant of awards under the 2017 Plan.

2006 Stock Incentive Plan

The Company's 2006 Stock Incentive Plan, as amended, (the "2006 Plan") provided for the Company to grant incentive stock options or nonqualified stock options, restricted stock, restricted stock units and other equity awards to employees, directors and consultants of the Company. The 2006 Plan was administered by the board of directors or, at the discretion of the board of directors, by a committee of the board. The exercise prices, vesting and other restrictions were determined at the discretion of the board of directors, or its committee if so delegated.

Stock options granted under the 2006 Plan with service-based vesting conditions generally vest over four years and expire after ten years, although options have been granted with vesting terms of less than four years.

The 2006 Plan expired in 2016. Since its expiration no further awards have been granted under the 2006 Plan.

Shares that are expired, terminated, surrendered or canceled without having been fully exercised will be available for future awards under the 2017 Plan. In addition, shares of common stock that are tendered to the Company by a participant to exercise an award are added to the number of shares of common stock available for the grant of awards under the 2017 Plan.

Stock Option Valuation

The assumptions that the Company used to determine the grant-date fair value of the stock options granted to employees and directors during the six months ended June 30, 2018 and 2017 were as follows, presented on a weighted average basis:

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Risk-free interest rate	2.75%	2.19%
Expected term (in years)	6.2	6.1
Expected volatility	76.0%	80.2%
Expected dividend yield	0%	0%

Stock Options

The following table summarizes the Company's stock option activity since January 1, 2018:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2017	2,096,233	$ 8.02	8.0	$ 7,332
Granted	271,000	7.01		
Exercised	(13,584)	2.03		
Forfeited	(315,887)	9.06		
Outstanding at June 30, 2018	2,037,762	$ 7.77	6.6	$ 875
Options exercisable at June 30, 2018	1,045,177	$ 5.73	4.1	$ 858
Options vested and expected to vest at June 30, 2018	2,004,599	$ 7.73	6.6	$ 875
Options exercisable at December 31, 2017	784,190	$ 4.71	6.0	$ 4,667
Options vested and expected to vest at December 31, 2017	2,030,629	$ 7.96	7.9	$ 7,198

The weighted average grant-date fair value of stock options granted during the six months ended June 30, 2018 and 2017 was $4.79 and $5.98, respectively.

The aggregate fair value of stock options that vested during the six months ended June 30, 2018 and 2017 was $1,812 and $412, respectively.

The aggregate intrinsic value of stock options is calculated as the difference between the exercise price of the stock options and the fair value of the Company's common stock for those stock options that had exercise prices lower than the fair value of the Company's common stock. The aggregate intrinsic value of stock options exercised during the six months ended June 30, 2018 and 2017 was $93 and $126, respectively.

Stock-Based Compensation

The Company recorded stock-based compensation expense related to stock options in the following expense categories of its statements of operations and comprehensive loss:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Research and development expenses	$ 240	$ 131	$ 510	$ 205
General and administrative expenses	1,093	142	1,591	264
	$ 1,333	$ 273	$ 2,101	$ 469

As of June 30, 2018, the Company had an aggregate of $6,046 of unrecognized stock-based compensation expense, which it expects to recognize over a weighted average period of 2.8 years. In May 2018, the Company modified certain equity awards in connection with a separation agreement with its former Chief Executive Officer. The modification included acceleration of vesting of stock options to purchase 80,822 shares of common stock and an extension of the post-termination exercise period for vested options from 90 days to up to two years. In connection with this modification, the Company recorded an incremental compensation charge of $612 during the three and six months ended June 30, 2018.

8. Net Loss per Share

Basic and diluted net loss per share attributable to common stockholders was calculated as follows**:**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Numerator:				
Net loss	$ (9,491)	$ (4,923)	$ (17,079)	$ (9,480)
Accretion of redeemable convertible preferred stock to redemption value	—	(21)	0	(41)
Net loss attributable to common stockholders	$ (9,491)	$ (4,944)	$ (17,079)	$ (9,521)
Denominator:				
Weighted average common shares outstanding—basic and diluted.	14,737,236	450,495	14,734,775	441,661
Net loss per share attributable to common stockholders—basic and diluted	$ (0.64)	$ (10.98)	$ (1.16)	$ (21.56)

The Company’s potential dilutive securities, which include stock options and redeemable convertible preferred stock, have been excluded from the computation of diluted net loss per share attributable to common stockholders whenever the effect of including them would be to reduce the net loss per share. In periods where there is a net loss, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common stockholders is the same. The following potential shares of common stock, presented based on amounts outstanding at each period end, were excluded from the calculation of diluted net loss per share attributable to common stockholders for the periods indicated because including them would have had an anti-dilutive effect:

	Three and Six Months Ended June 30,	
	2018	2017
Stock options to purchase common stock	2,037,762	1,444,314
Redeemable convertible preferred stock (as converted to common stock)	—	10,509,774
	2,037,762	11,954,088

9. Commitments and Contingencies

Operating Lease

Facility Leases

On April 4, 2018, a lease agreement (the "Lease") entered into between the Company and 480 Arsenal Group LLC became effective. The Lease is for approximately 18,609 square feet of office and lab space in Watertown, Massachusetts. The Lease has an initial term of eight years and provides the Company with an option to extend the Lease term for one additional five-year period. The future minimum rent commitment for the initial eight-year term is approximately $8,771. In addition to rent, the Lease requires the Company to pay additional amounts for taxes, insurance, maintenance and other operating expenses.

The Company was required to provide a $568 security deposit, which the Company provided in the form of a letter of credit in the favor of the landlord which is included as non-current restricted cash on the balance sheet as of June 30, 2018.

The Company is not the legal owner of the leased space. However, in accordance with ASC 840, *Leases*, because of the Company's expected level of direct financial and operational involvement in the substantial tenant improvements required, the Company is deemed to be the owner of the leased space for accounting purposes. As a result, during the three and six months ended June 30, 2018, the Company capitalized a build-to-suit asset of $3,719 within property, plant and equipment, net and recognized a corresponding build-to-suit facility lease obligation within other liabilities and other non-current liabilities on its balance sheet as of June 30, 2018, equal to the estimated replacement cost of its leased portion of the building at the inception of the Lease.

Additionally, construction costs incurred as part of the build-out and tenant improvements will be capitalized within property, plant and equipment, net. Rental payments made under the Lease will be allocated to imputed ground rent, interest expense and the build-to-suit facility lease obligation, based on the implicit rate of the build-to-suit facility lease obligation. The build-to-suit facility lease obligation was $3,345 as of June 30, 2018.

281 Albany Street

In February 2010, the Company entered into an operating lease agreement for office and laboratory space in Cambridge, Massachusetts, which, as amended, expires in August 2018.

Upon entering into the agreement, the Company was required to maintain a security deposit which was recorded as restricted cash on the Company's balance sheet.

The agreement requires future minimum lease payments for the year ending December 31, 2018 of $85.

The Company recognizes rent expense on a straight-line basis over the lease period and has recorded deferred rent for rent expense incurred but not yet paid. Rental expense under operating leases totaled $211 and $120 for the three months ended June 30, 2018 and 2017, respectively and $339 and $239 for the six months ended June 30, 2018 and 2017, respectively.

Intellectual Property Licenses

Harvard and Dana-Farber Agreement

In August 2006, the Company entered into an exclusive license agreement with President and Fellows of Harvard College ("Harvard") and Dana-Farber Cancer Institute ("DFCI"). The agreement granted the Company an exclusive worldwide license, with the right to sublicense, under specified patents and patent applications to develop, obtain regulatory approval for and commercialize specified product candidates based on stapled peptides. Under the agreement, the Company is obligated to use commercially reasonable efforts to develop and commercialize one or more licensed products and to achieve specified milestone events by specified dates. In connection with entering into the agreement, the Company paid an upfront license fee and issued to Harvard and DFCI shares of its common stock.

In February 2010, the agreement was amended and restated (the "Harvard/DFCI agreement") under which additional patent rights were added to the scope of the license agreement and the annual license maintenance fees were increased. Under the Harvard/DFCI agreement, the Company is obligated to make aggregate milestones payments of up to $7,700 per licensed therapeutic product upon the Company's achievement of specified clinical, regulatory and sales milestones with respect to such product and up to $700 per licensed diagnostic product upon the Company's achievement of specified regulatory and sales milestones with respect to such product. In addition, the Company is obligated to pay royalties of low single-digit percentages on annual net sales of licensed products sold by the Company, its affiliates or its sublicensees. The royalties are payable on a product-by-product and country-by-country basis and may be reduced in specified circumstances. In addition, the agreement obligates the Company to pay a percentage, up to the mid-twenties, of fees received by the Company in connection with its sublicense of the licensed products. In accordance with the terms of the agreement, the Company's sublicense payment obligations may be subject to specified reductions.

The Harvard/DFCI agreement requires the Company to pay annual license maintenance fees of $145 each year. Any payments made in connection with the annual license maintenance fees will be credited against any royalties due.

The Company incurred license fees of $145 during each of the six months ended June 30, 2018 and 2017. In addition, the Company did not make any milestone payments during the three and six months ended June 30, 2018 and 2017. During the six months ended June 30, 2018, no milestones were achieved and no liabilities for milestone payments were recorded in the Company's financial statements. From 2010 through June 30, 2018 and December 31, 2017, the Company had made non-refundable cash payments, consisting of license and maintenance fees, milestone payments and sublicense fees, totaling $4,573 and $4,428, respectively.

As of June 30, 2018, the Company had not developed a commercial product using the licensed technologies and no royalties under the agreement had been paid or were due.

Under the Harvard/DFCI agreement, the Company is responsible for all patent expenses related to the prosecution and maintenance of the licensed patents and applications in-licensed under the agreement as well as cost reimbursement of amounts incurred for all documented patent-related expenses. The agreement will expire on a product-by-product and country-by-country basis upon the last to expire of any valid patent claim pertaining to licensed products covered under the agreement.

Umicore Agreement

In December 2006, the Company entered into a license agreement with Materia, Inc. ("Materia"), under which it was granted a non-exclusive worldwide license, with the right to sublicense, under specified patent and patent applications to utilize Materia's catalysts to develop, obtain regulatory approval for and commercialize specified peptides owned or controlled by Materia and the right to manufacture specified compositions owned or controlled by Materia. In February 2017, Materia assigned the license agreement (the "Umicore agreement") to Umicore Precious Metals Chemistry USA, LLC ("Umicore"), and Umicore agreed to continue to supply the Company under the agreement.

Under the Umicore agreement, the Company is obligated to make aggregate milestone payments to Umicore of up to $6,400 upon the Company's achievement of specified clinical, regulatory and sales milestones with respect to each licensed product. In addition, the Company is obligated to pay tiered royalties ranging in the low single-digit percentages on annual net sales of licensed products sold by the Company or its sublicensees. The royalties are payable on a product-by-product and country-by-country basis, and may be reduced in specified circumstances.

The Umicore agreement requires the Company to pay annual license fees of $50. The Company did not incur any license fees during the three and six months ended June 30, 2018 and 2017, respectively. In addition, the Company did not make any milestone payments during the three and six months ended June 30, 2018 and 2017. During the six months ended June 30, 2018, no milestones were achieved and no liabilities for additional milestone payments were recorded in the Company's financial statements.

The agreement expires upon the expiration of the Company's obligation to pay royalties in each territory covered under the agreement.

Scripps Agreement

In October 2010, the Company entered into a patent license agreement (the "Scripps agreement") with The Scripps Research Institute ("Scripps") under which it was granted a license, with the right to sublicense, for the exclusive worldwide rights to utilize Scripps' "Click" chemistry for therapeutics and non-exclusive worldwide rights for diagnostics with the Company's stabilized peptide and protein technology platforms.

Under the agreement, the Company is obligated to make aggregate milestone payments to Scripps of up to $1,900 for each licensed peptide product and up to $950 for each licensed protein product upon achieving of specified clinical, regulatory and commercial milestones. In addition, the Company is obligated to pay tiered royalties ranging in the low single-digit percentages on annual net sales of licensed products sold by the Company or its sublicensees. The royalties are payable on a product-by-product and country-by-country basis. The Scripps agreement requires the Company to pay annual license fees of $50. The Company did not incur any license fees during the three and six months ended June 30, 2018 and 2017, respectively.

As of June 30, 2018, no milestones had been achieved and no liabilities for milestone payments had been recorded in the Company's financial statements. As of June 30, 2018, the Company had not developed a commercial product using the licensed technologies and no royalties under the agreement had been paid or were due.

The agreement expires upon expiration of the last of any patent rights covered under the agreement.

Indemnification Agreements

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its board of directors and officers that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. To date, the Company has not incurred any material costs as a result of such indemnifications. The Company does not believe that the outcome of any claims under indemnification arrangements will have a material effect on its financial position, results of operations or cash flows, and it had not accrued any liabilities related to such obligations in its financial statements as of June 30, 2018 or December 31, 2017.

10. Income Taxes

The Company did not provide for any income taxes for the three and six months ended June 30, 2018 and 2017. The Company has evaluated the positive and negative evidence bearing upon the realizability of its U.S. net deferred tax assets. As required by the provisions of ASC 740, Income Taxes, management has determined that it is more-likely-than-not that the Company will not utilize the benefits of federal and state U.S. net deferred tax assets for financial reporting purposes. Accordingly, the net deferred tax assets are subject to a valuation allowance at June 30, 2018 and December 31, 2017.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our audited financial statements and related notes for the year ended December 31, 2017 included in our Annual Report on Form 10-K for the year ended December 31, 2017 that was filed with the Securities and Exchange Commission, or SEC, on April 2, 2018, which we refer to as our 2017 Form 10-K.

Some of the statements contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business, constitute forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future events. The following information and any forward-looking statements should be considered in light of factors discussed elsewhere in this Quarterly Report on Form 10-Q particularly including those risks identified in Part II-Item 1A "Risk Factors" and our other filings with the SEC.

Our actual results and timing of certain events may differ materially from the results discussed, projected, anticipated, or indicated in any forward-looking statements. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q. Statements made herein are as of the date of the filing of this Form 10-Q with the SEC and should not be relied upon as of any subsequent date. Even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Quarterly Report on Form 10-Q, they may not be predictive of results or developments in future periods. We disclaim any obligation, except as specifically required by law and the rules of the SEC, to publicly update or revise any such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

We caution readers not to place undue reliance on any forward-looking statements made by us, which speak only as of the date they are made.

Overview

We are a clinical-stage biopharmaceutical company that is focused on developing and commercializing a novel class of therapeutics called stapled peptides. Our lead product candidate, ALRN-6924, targets the tumor suppressor p53 for the treatment of a wide variety of cancers. ALRN-6924, which is currently being tested in multiple clinical trials, reactivates p53-mediated tumor suppression by targeting the two primary p53 suppressor proteins, MDMX and MDM2. Our ongoing clinical trials of ALRN-6924 consist of a Phase 1 trial for the treatment of advanced solid tumors or lymphomas, which we refer to as our Phase I All comers trial, a Phase 2a trial for the treatment of peripheral T-cell lymphoma, or PTCL, a Phase 1 trial for the treatment of acute myeloid leukemia, or AML, and advanced myelodysplastic syndrome, or MDS, as a monotherapy and a Phase 1b trial for the treatment of AML/MDS in combination with cytosine arabinoside, or Ara-C. We believe that by using our proprietary stapled peptide drug platform, we can develop first-in-class molecules, like ALRN-6924, that contain a novel set of properties. As such, our stapled peptide drugs may be able to address historically undruggable targets and complex mechanisms, such as intracellular protein-protein interactions like p53, that underlie many diseases with high unmet medical need. We believe that stapled peptide therapeutics have the potential to become a major class of drugs, like small molecules and monoclonal antibodies, for oncology and other therapeutic areas, and may significantly improve treatment paradigms and clinical outcomes for patients.

We are conducting our Phase 2a trial in relapsed and/or refractory PTCL patients whose cells contain wild-type (WT) p53 and who have failed at least one prior line of therapy. Patients in the first cohort of the Phase 2a PTCL trial are receiving a 3.1 mg/kg dose of ALRN-6924 on days 1, 8 and 15 of each 28-day cycle, with scans being performed after every two cycles. As previously reported in the 2017 10-K, as of February 26, 2018, we had administered ALRN-6924 to 16 patients in accordance with this dosing regimen, including one PTCL patient enrolled in the Phase 1 All-comers trial who received ALRN-6924 using the same dosing regimen, and 14 of these patients were evaluable. Of the evaluable patients, six (43%) demonstrated disease control, consisting of two patients who achieved complete responses, one patient who achieved a partial response and three patients who achieved stable disease with all of the stable disease patients experiencing tumor shrinkage. As of our most recent abstract-driven data cut-off date of July 13, 2018, the two patients who achieved complete responses continue on treatment.

We are also exploring a second dosing regimen in the trial under which patients in the trial receive three doses of 3.1 mg/kg in the first week, followed by two weeks off in a 21-day cycle. We are evaluating this new dosing regimen to assess whether a more frequent dosing regimen could improve the response rate of ALRN-6924 while still maintaining a favorable safety profile. We expect to report additional interim data from the trial, including from patients in the second cohort who receive the three doses per week, at a major medical conference in the fourth quarter of 2018.

We are also continuing to enroll patients in our AML/MDS Phase 1 and Phase 1b dose escalation trials. In the Phase 1 monotherapy trial, we have tested three doses of ALRN-6924, 3.1 mg/kg, 4.4 mg/kg, and 5.8 mg/kg, and in our Phase 1b combination trial, we have tested ALRN-6924, 3.1 mg/kg in combination with two different low doses (100 or 200 mg/m^2) of Ara-C and ALRN-6924, 4.4 mg/kg in combination with 200 mg/m^2 of Ara-C. We have completed enrollment of the 4.4 mg/kg in combination with 200 mg/m^2 Ara-C cohort in the second quarter of 2018, and we have initiated an expansion cohort in MDS patients using this dosing regimen in the third quarter of 2018.

We are also testing ALRN-6924 in the Phase 1 AML/MDS monotherapy dose-escalation trial under a dosing regimen where patients receive ALRN-6924 (starting at 2.7 mg/kg) three times per week for two consecutive weeks, followed by one week off, in a 21-day cycle. After the first cohort of three patients cleared safety review committee oversight at the 2.7 mg/kg dose, three new patients were enrolled at 3.8 mg/kg, the next dose level per protocol. One of those three patients died of tumor lysis syndrome related to treatment with ALRN-6924. We have reported the death to the FDA, and since the death, have dosed an additional three patients at the 2.7 mg/kg dose level as per trial protocol. We plan to continue to enroll patients in the trial. We plan to report interim data from our AML/MDS trials, including in patients in the new dosing regimen and patients in the MDS expansion cohort at a major medical conference in the fourth quarter of 2018.

In addition, because many approved drugs and drug candidates for cancer require a functioning p53 pathway, we have expanded and advanced our non-clinical research to test a variety of approved drugs in combination with ALRN-6924, including cyclin-dependent kinase 4/6 inhibitors, PD-1/-L1 inhibitors, and paclitaxel (formulated as Abraxane or Taxol). We plan to provide updates on our non-clinical research and our plans for ALRN-6924 combination studies during the second half of 2018. Subject to the results of our ongoing research, partnering discussions, and obtaining additional funding, we expect to conduct one or more additional clinical trials of ALRN-6924 in combination with other anti-cancer agents within the next six to twelve months.

We were incorporated in 2001 and commenced principal operations in 2006. We have devoted substantially all of our resources to developing our product candidates, including ALRN-6924, developing our stapled peptide platform, building our intellectual property portfolio, business planning, raising capital and providing general and administrative support for these operations.

On June 28, 2017, our registration statement on Form S-1 relating to our initial public offering of our common stock, or IPO, was declared effective by the SEC. In the IPO, which closed on July 5, 2017, we issued and sold 3,750,000 shares of common stock at a public offering price of $15.00 per share for net proceeds of $50.0 million after deducting underwriting discounts and commissions of $3.9 million and offering expenses of $2.3 million. Upon the closing of the IPO, all shares of redeemable convertible preferred stock then outstanding converted into an aggregate of 10,509,774 shares of common stock.

Prior to the IPO, we financed our operations through private placements of preferred stock and, to a lesser extent, from payments received under a collaboration agreement. Since our inception through June 30, 2018, we had received $50.0 million in net proceeds from our IPO, $131.2 million from our sales of preferred stock and $34.9 million from the collaboration agreement.

Since our inception, we have incurred significant losses on an aggregate basis. Our net losses were $9.5 million and $4.9 million for the three months ended June 30, 2018 and 2017, respectively. As of June 30, 2018, we had an accumulated deficit of $154.0 million. These losses have resulted primarily from costs incurred in connection with research and development activities, licensing and patent investment and general and administrative costs associated with our operations. We expect to continue to incur significant expenses and increasing operating losses for at least the next several years.

As a result, we will need additional financing to support our continuing operations. Until such time as we can generate significant revenue from product sales, if ever, we expect to finance our operations through a combination of public or private equity or debt financings or other sources, which may include collaborations with third parties. We may be unable to raise additional funds or enter into other agreements or arrangements when needed on favorable terms, or at all. If we fail to raise capital or enter into such agreements as and when needed, we may have to significantly delay, scale back or discontinue the development or commercialization of one or more of our product candidates.

Because of the numerous risks and uncertainties associated with product development, we are unable to predict the timing or amount of increased expenses or when or if we will be able to achieve or maintain profitability. Even if we are able to generate revenue from product sales, we may not become profitable. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and be forced to reduce or terminate our operations.

As of June 30, 2018, we had cash, cash equivalents and investments of $35.8 million. We believe that our cash, cash equivalents and investments as of June 30, 2018, will enable us to fund our operating expenses and capital expenditure requirements, including clinical trials, into the second half of 2019. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we expect. See “Liquidity and Capital Resources.” Our future viability beyond that point is dependent on our ability to raise additional capital to finance our operations.

Components of our Results of Operations

Revenue

We have not generated any revenue from product sales and do not expect to generate any revenue from the sale of products in the near future. If our development efforts for ALRN-6924 or other product candidates that we may develop in the future are successful and result in marketing approval or collaboration or license agreements with third parties, we may generate revenue in the future from a combination of product sales or payments from collaboration or license agreements that we may enter into with third parties.

Operating Expenses

Our expenses since inception have consisted solely of research and development costs and general and administrative costs.

Research and Development Expenses

Research and development expenses consist primarily of costs incurred for our research activities, including our discovery efforts, and the development of our product candidates, and include:

- expenses incurred under agreements with third parties, including contract research organizations, or CROs, that conduct research, preclinical activities and clinical trials on our behalf as well as contract manufacturing organizations, or CMOs, that manufacture our product candidates for use in our preclinical and clinical trials;
- salaries, benefits and other related costs, including stock-based compensation expense, for personnel engaged in research and development functions;
- costs of outside consultants, including their fees, stock-based compensation and related travel expenses;
- the costs of laboratory supplies and acquiring, developing and manufacturing preclinical study and clinical trial materials;
- costs related to compliance with regulatory requirements; and
- facility-related expenses, which include direct depreciation costs and allocated expenses for rent and maintenance of facilities and other operating costs.

We expense research and development costs as incurred. We recognize costs for certain development activities, such as clinical trials, based on an evaluation of the progress to completion of specific tasks using data such as patient enrollment, clinical site activations or information provided to us by our vendors and our clinical investigative sites. Payments for these activities are based on the terms of the individual agreements, which may differ from the pattern of costs incurred, and are reflected in our financial statements as prepaid or accrued research and development expenses.

We typically use our employee and infrastructure resources across our development programs. We track outsourced development costs and milestone payments made under our licensing arrangements by product candidate or development program, but we do not allocate personnel costs, license payments made under our licensing arrangements or other internal costs to specific development programs or product candidates. These costs are included in unallocated research and development expenses in the table below. Unallocated research and development expenses also includes internal research relating to non-clinical and pipeline compounds in oncology and non-oncology indications.

The following table summarizes our research and development expenses by product candidate or development program:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
ALRN-6924 and p53 program	$ 3,324	$ 2,021	$ 5,915	$ 3,759
Other early-stage development programs	137	33	214	105
Unallocated research and development expenses	1,859	1,107	4,037	2,239
Total research and development expenses	$ 5,320	$ 3,161	$ 10,166	$ 6,103

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect that our research and development expenses will continue to increase in the foreseeable future as we continue our non-clinical research testing a variety of approved drugs in combination with ALRN-6924, initiate additional clinical trials of ALRN-6924, pursue later stages of clinical development of ALRN-6924, initiate clinical trials for product candidates other than ALRN-6924 and continue to discover and develop additional product candidates, including product candidates for targets in which we have made substantial investments in prior years for the treatment of a variety of disease indications. We also expect that our research and development expenses will increase in the future as we increase our research and development headcount to support the increase in our research and development activities.

We cannot determine with certainty the duration and costs of the current or future clinical trials of our product candidates or if, when, or to what extent we will generate revenue from the commercialization and sale of any of our product candidates for which we obtain marketing approval. We may never succeed in obtaining marketing approval for any of our product candidates. The duration, costs and timing of clinical trials and development of our product candidates will depend on a variety of factors, including:

- the scope, rate of progress, expense and results of our ongoing clinical trials of ALRN-6924, as well as of any future clinical trials of ALRN-6924 or other product candidates and other research and development activities that we may conduct;
- uncertainties in clinical trial design and patient enrollment rates;
- significant and changing government regulation and regulatory guidance;
- the timing and receipt of any marketing approvals; and
- the expense of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights.

A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the U.S. Food and Drug Administration, or FDA, or another regulatory authority were to require us to conduct clinical trials beyond those that we anticipate will be required for the completion of clinical development of a product candidate, or if we experience significant trial delays due to patient enrollment or other reasons, we would be required to expend significant additional financial resources and time on the completion of clinical development.

We are currently conducting our Phase 1 All-comers trial, our Phase 2a PTCL trial and our Phase 1/1b AML/MDS trials. At this time, we cannot reasonably estimate the cost for initiating and completing other clinical trials of ALRN-6924 and preclinical studies of ALRN-6924, as it will be highly dependent on the clinical data from ongoing clinical trials as well as any target disease subpopulations chosen for further evaluation.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and other related costs, including stock-based compensation, for personnel in our executive, finance, corporate and business development and administrative functions. General and administrative expenses are comprised of professional fees associated with being a public company including costs of accounting, auditing, legal, regulatory, tax and consulting services associated with maintaining compliance with exchange listing and SEC requirements, director and officer insurance costs; and both public and investor relations costs. General and administrative expenses also include legal fees relating to patent and corporate matters; other insurance costs; travel expenses; and facility-related expenses, which include direct depreciation costs and allocated expenses for rent and maintenance of facilities and other operating costs.

We expect that our general and administrative expenses will increase in the future as we increase our general and administrative personnel headcount to support personnel in research and development and to support our operations generally as we increase our research and development activities and activities related to the potential commercialization of our product candidates. We also expect to incur increased expenses associated with operating as a public company, including costs of accounting, audit, legal, regulatory and tax-related services associated with maintaining compliance with exchange listing and SEC requirements; director and officer insurance costs; and investor and public relations costs.

Interest Income

Interest income consists of interest income earned on our cash, cash equivalents and investments. Prior to the IPO, our interest income had not been significant due to low investment balances and low interest earned on those balances. Our interest income increased following the IPO due to higher investment balances and interest carried on those balances. We anticipate that our interest income will decrease in the future to the extent our cash, cash equivalents and investments are lower due to our use of cash to fund our operations.

Income Taxes

Since our inception in 2001, we have not recorded any U.S. federal or state income tax benefits for the net losses we have incurred in any year or for our earned research and development tax credits, due to our uncertainty of realizing a benefit from those items. As of December 31, 2017, we had federal and state net operating loss carryforwards of $129.6 million and $125.8 million, respectively, which begin to expire in 2029 and 2030, respectively. As of December 31, 2017, we also had federal and state research and development tax credit carryforwards of $2.0 million and $1.2 million, respectively, which begin to expire in 2025.

Results of Operations

Comparison of the Three Months Ended June 30, 2018 and 2017

The following table summarizes our results of operations for the three months ended June 30, 2018 and 2017:

	Three Months Ended June 30,		Increase
	2018	2017	(Decrease)
	(in thousands)		
Revenue	$ —	$ —	$ —
Operating expenses:			
Research and development	5,320	3,161	2,159
General and administrative	4,339	1,791	2,548
Total operating expenses	9,659	4,952	4,707
Loss from operations	(9,659)	(4,952)	(4,707)
Interest income	168	29	139
Net loss	$ (9,491)	$ (4,923)	$ (4,568)

Research and Development Expenses

	Three Months Ended June 30,		Increase
	2018	2017	(Decrease)
	(in thousands)		
ALRN-6924 and p53 program	$ 3,324	$ 2,021	$ 1,303
Other early-stage development programs	137	33	104
Unallocated research and development expenses	1,859	1,107	752
Total research and development expenses	$ 5,320	$ 3,161	$ 2,159

Research and development expenses for the three months ended June 30, 2018 were $5.3 million, compared to $3.2 million for the three months ended June 30, 2017. The increase of $2.2 million was due primarily to an increase of $1.3 million in research and development expenses associated with our ALRN-6924, and p53 program and an increase of $0.8 million in unallocated research and development expenses. The increase in our ALRN-6924 and p53 program expenses was due primarily to an increase in non-clinical research in the three months ended June 30, 2018 associated with expanding our research to test a variety of approved drugs in combination with ALRN-6924, including immuno-oncology agents, cyclin-dependent kinase inhibitors and traditional chemotherapeutic agents for solid and liquid tumors. The increase in other early-stage development programs was primarily due to non-clinical research spending. The increase in unallocated research and development expenses was primarily due to increased wage and other personnel related costs resulting from additional personnel that we hired to support our ongoing trials. We expect that our research and development expenses will continue to increase in the foreseeable future as we advance our non-clinical research to test a variety of approved drugs in combination with ALRN-6924, initiate additional clinical trials of ALRN-6924, pursue later stages of clinical development of ALRN-6924, initiate clinical trials for product candidates other than ALRN-6924 and continue to discover and develop additional product candidates, including product candidates for targets in which we have made substantial investments in prior years for the treatment of a variety of disease indications. We also expect that our research and development expenses will increase in the future as we increase our research and development headcount to support the increase in our research and development activities.

General and Administrative Expenses

General and administrative expenses were $4.3 million for the three months ended June 30, 2018, compared to $1.8 million for the three months ended June 30, 2017. Approximately $1.1 million of the $2.5 million increase was due to expenses incurred in connection with the separation agreement with our former chief executive officer. Of this $1.1 million, approximately $0.5 million related to salary continuation payments and $0.6 million resulted from the modifications to his stock options. The remaining increase of $1.4 million was primarily due to increases of $0.5 million in personnel-related costs, $0.5 million in external costs and $0.4 million in non-cash stock compensation expense. The increase in personnel-related costs was due to higher wages and recruiting fees associated with increased headcount. The $0.5 million increase in external costs was primarily due to increased legal fees related to lease negotiations for our anticipated relocation in the third quarter of 2018 and higher insurance fees associated with being a public company. The increase in stock compensation costs was related to employee stock option grants made in 2017 and 2018.

We expect that our general and administrative expenses will increase slightly in the future so that we may support expanded research and development activities and the potential commercialization of our product candidates. We also expect to incur increased expenses associated with operating as a public company, including costs of accounting, audit, legal, regulatory and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, director and officer insurance costs, and investor and public relations costs.

Interest Income

Interest income for the three months ended June 30, 2018 was $0.1 million higher compared to the three months ended June 30, 2017 due to a higher balance in our investments for the three months ended June 30, 2018 compared to the three months ended June 30, 2017. This higher balance resulted from the net proceeds we received on July 5, 2017 from our IPO. We anticipate that our interest income will decrease in the future to the extent our cash, cash equivalents and investments are lower due to our use of cash to fund our operations.

Comparison of the Six Months Ended June 30, 2018 and 2017

The following table summarizes our results of operations for the six months ended June 30, 2018 and 2017:

	Six Months Ended June 30,		Increase
	2018	2017	(Decrease)
	(in thousands)		
Revenue	$ —	$ —	$ —
Operating expenses:			
Research and development	10,166	6,103	4,063
General and administrative	7,256	3,438	3,818
Total operating expenses	17,422	9,541	7,881
Loss from operations	(17,422)	(9,541)	(7,881)
Interest income	343	61	282
Net loss	$ (17,079)	$ (9,480)	$ (7,599)

Research and Development Expenses

	Six Months Ended June 30,		Increase
	2018	2017	(Decrease)
	(in thousands)		
ALRN-6924 and p53 program	$ 5,915	$ 3,759	$ 2,156
Other early-stage development programs	214	105	109
Unallocated research and development expenses	4,037	2,239	1,798
Total research and development expenses	$ 10,166	$ 6,103	$ 4,063

Research and development expenses for the six months ended June 30, 2018 were $10.2 million, compared to $6.1 million for the six months ended June 30, 2017. The increase of $4.0 million was due primarily to an increase of $2.2 million in research and development expenses associated with our ALRN-6924, and p53 program and an increase of $1.8 million in unallocated research and development expenses. The increase in our ALRN-6924 and p53 program expenses was due primarily to an increase in non-clinical research in the six months ended June 30, 2018 associated with expanding our research to test a variety of approved drugs in combination with ALRN-6924, including immuno-oncology agents, cyclin-dependent kinase inhibitors and traditional chemotherapeutic agents for solid and liquid tumors. The increase in unallocated research and development expenses was primarily due to increased wage and other personnel related costs resulting from additional personnel that we hired to support our ongoing trials.

General and Administrative Expenses

General and administrative expenses were $7.2 million for the six months ended June 30, 2018, compared to $3.4 million for the six months ended June 30, 2017. Approximately $1.1 million of the $3.8 million increase was due to expenses incurred in connection with the separation agreement with our former chief executive officer. Of this $1.1 million, approximately $0.5 million related to salary continuation payments and $0.6 million resulted from the modifications to his stock options. The remaining increase of $2.7 million was primarily due to increases of $0.9 million in personnel-related costs, $1.0 million in external costs and $0.8 million in non-cash stock compensation expense. The increase in personnel-related costs was is due to higher wages and recruiting fees associated with increased headcount. The $1.0 million increase in external costs was primarily due to increased legal fees related to lease negotiations for our anticipated relocation in the third quarter of 2018 and higher insurance fees associated with being a public company. The increase in stock compensation costs was related to employee stock option grants made in 2017 and 2018.

Interest Income

Interest income for the six months ended June 30, 2018 was $0.3 million higher compared to the six months ended June 30, 2017 due to a higher balance in our investments for the six months ended June 30, 2018 compared to the six months ended June 30, 2017. This higher balance resulted from the net proceeds we received on July 5, 2017 from our IPO.

Liquidity and Capital Resources

Since our inception, we have incurred significant losses on an aggregate basis. We have not yet commercialized any of our product candidates, which are in various phases of preclinical and clinical development, and we do not expect to generate revenue from sales of any products for several years, if at all. Prior to the IPO, we financed our operations through private placements of our preferred stock and, to a lesser extent, through payments received under a collaboration agreement. Since our inception through June 30, 2018, we had received $50.0 million in net proceeds from our IPO, $131.2 million from our sales of preferred stock and $34.9 million from the collaboration agreement. As of June 30, 2018, we had cash, cash equivalents and investments of $35.8 million.

On June 28, 2017, our registration statement on Form S-1 relating to our initial public offering of our common stock was declared effective by the SEC. The IPO closed on July 5, 2017 and we issued and sold 3,750,000 shares of common stock at a public offering price of $15.00 per share for net proceeds of $50.0 million after deducting underwriting discounts and commissions of $3.9 million and other offering expenses of $2.3 million. Upon the closing of the IPO, all shares of preferred stock then outstanding converted into an aggregate of 10,509,774 shares of common stock.

Cash Flows

The following table summarizes our sources and uses of cash for each of the periods presented:

	Six Months Ended June 30,	
	2018	2017
	(in thousands)	
Cash used in operating activities	$ (14,385)	$ (9,457)
Cash provided by (used in) investing activities	14,979	(1,994)
Cash provided by financing activities	28	133
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 622	$ (11,318)

Operating Activities. During the six months ended June 30, 2018, operating activities used $14.3 million of cash, resulting from our net loss of $17.1 million offset by $2.1 million of non-cash charges and $0.6 million provided by changes in our operating assets and liabilities. Net cash provided by changes in our operating assets and liabilities during the six months ended June 30, 2018 consisted primarily of an increase of $0.5 million in accrued severance, partially offset by the amortization of prepaid expenses.

During the six months ended June 30, 2017, operating activities used $9.5 million of cash, resulting from our net loss of $9.5 million and cash used by changes in our operating assets and liabilities of $0.5 million, partially offset by non-cash charges of $0.5 million. Net cash used by changes in our operating assets and liabilities during the six months ended June 30, 2017 consisted primarily of a decrease to accounts payable of $0.5 million and an increase to prepaid and other current assets of $0.3 million. The decrease in accounts payable is largely due to the timing of vendor invoicing and payments.

Investing Activities. During the six months ended June 30, 2018 investing activities provided $15.0 million of cash resulting from $36.0 million of proceeds from the sale of investments offset by $20.8 million of purchases of investments and $0.2 of purchases of property and equipment related to our planned move to a new office and laboratory facility in August 2018. During the six months ended June 30, 2017, investing activities used $2.0 million of cash, consisting primarily of net purchases of investments.

During the second half of 2018, we expect increased purchases of property and equipment resulting from our planned move into our new office and laboratory facility in August 2018.

Financing Activities. During the six months ended June 30, 2018, net cash provided by financing activities consisted of proceeds from the exercise of employee stock options. During the six months ended June 30, 2017 net cash provided by financing activities was $0.1 million, primarily due to the net proceeds of $0.5 million from our sales of Series F preferred stock in February 2017 offset by payments of initial public offering costs of $0.4 million.

Funding Requirements

We expect our expenses to increase substantially in connection with our ongoing development activities related to ALRN-6924, which is still in the early stages of clinical development, and other product candidates and programs. In addition, we expect to incur additional costs associated with operating as a public company. We expect that our expenses will increase substantially if and as we:

- conduct our current and future clinical trials and additional preclinical research of ALRN-6924;
- initiate and continue research and preclinical and clinical development of our other product candidates;
- seek to identify additional product candidates;
- seek marketing approvals for any of our product candidates that successfully complete clinical trials, if any;
- establish a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain marketing approval;
- require the manufacture of larger quantities of our product candidates for clinical development and potentially commercialization;
- maintain, expand and protect our intellectual property portfolio;
- acquire or in-license other drugs and technologies;
- hire and retain additional clinical, quality control and scientific personnel;
- build out new facilities or expand existing facilities to support our ongoing development activity; and
- add operational, financial and management information systems and personnel, including personnel to support our drug development, any future commercialization efforts and our compliance with our obligations as a public company.

As of June 30, 2018, we had cash, cash equivalents and investments of $35.8 million. We believe that our cash, cash equivalents and investments as of June 30, 2018, will enable us to fund our operating expenses and capital expenditure requirements, including clinical trials, into the second half of 2019. We have based these estimates on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we expect.

Because of the numerous risks and uncertainties associated with the development of ALRN-6924 and other product candidates and programs and because the extent to which we may enter into collaborations with third parties for development of our product candidates is unknown, we are unable to estimate the timing and amounts of increased capital outlays and operating expenses associated with completing the research and development of our product candidates. Our future capital requirements will depend on many factors, including:

- the scope, progress, results and costs of our current and future clinical trials and additional preclinical research of ALRN-6924;
- the scope, progress, results and costs of drug discovery, preclinical research and clinical trials for our other product candidates;
- the number of future product candidates that we pursue and their development requirements;
- the costs, timing and outcome of regulatory review of our product candidates;
- our ability to establish and maintain collaborations on favorable terms, if at all;
- the success of any collaborations that we may enter into with third parties;
- the extent to which we acquire or invest in businesses, products and technologies, including entering into licensing or collaboration arrangements for product candidates, although we currently have no commitments or agreements to complete any such transactions;
- the costs and timing of future commercialization activities, including drug sales, marketing, manufacturing and distribution, for any of our product candidates for which we receive marketing approval, to the extent that such sales, marketing, manufacturing and distribution are not the responsibility of any collaborator that we may have at such time;
- the amount of revenue, if any, received from commercial sales of our product candidates, should any of our product candidates receive marketing approval;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;

- our headcount growth and associated costs, including costs of our planned build-out of our new facility, as we expand our business operations and our research and development activities; and
- the costs of operating as a public company.

Developing pharmaceutical products, including conducting preclinical studies and clinical trials, is a time-consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary data or results required to obtain marketing approval for any product candidates or generate revenue from the sale of any products for which we may obtain marketing approval. In addition, our product candidates, if approved, may not achieve commercial success. Our commercial revenues, if any, will be derived from sales of drugs that we do not expect to be commercially available for many years, if ever. Accordingly, we will need to obtain substantial additional funds to achieve our business objectives.

Adequate additional funds may not be available to us on acceptable terms, or at all. We do not currently have any committed external source of funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of our common stockholders may be diluted, and the terms of these securities may include liquidation or other preferences and anti-dilution protections that could adversely affect the rights of our common stockholders. Additional debt or preferred equity financing, if available, may involve agreements that include restrictive covenants that may limit our ability to take specific actions, such as incurring debt, making capital expenditures or declaring dividends, which could adversely impact our ability to conduct our business.

If we raise additional funds through collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technology, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings or collaborations, strategic alliances or licensing arrangements with third parties when needed, we may be required to delay, limit, reduce and/or terminate our product development programs or any future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Contractual Obligations and Commitments

The disclosure of our contractual obligations and commitments is set forth under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Contractual Obligations and Commitments” in our Annual Report on Form 10-K. See Note 9 to our unaudited condensed financial statements included in Item 1, “Unaudited Financial Statements,” of this Quarterly Report on Form 10-Q for a discussion of obligations and commitments. During the six months ended June 30, 2018, there were no material changes to our contractual obligations and commitments as of December 31, 2017 described under Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K.

In April 2018, our lease agreement, or Lease, with 480 Arsenal Group LLC, or Landlord, became effective. The Lease is for approximately 18,609 square feet of office and lab space in Watertown, Massachusetts. The Lease has an initial term of eight years and provides us with an option to extend the Lease term for one additional five-year period. The Lease provides for monthly rent payments during the initial eight-year term of $82,189.75, increasing 3% per year. In the event that we exercise our option to extend the Lease term, the Lease provides for monthly rent payments during the additional five-year period at the then-current market rent. In addition to rent, the Lease requires us to pay additional amounts for taxes, insurance, maintenance and other operating expenses. We are also required to provide a $0.6 million security deposit, which we provided in the form of a letter of credit in the favor of the Landlord and which is included as non-current restricted cash on the balance sheet as of June 30, 2018.

Critical Accounting Policies and Use of Estimates

Our management’s discussion and analysis of financial condition and results of operations is based on our financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of our financial statements and related disclosures requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, costs and expenses and the disclosure of contingent assets and liabilities in our financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

During the three and six months ended June 30, 2018, there were no material changes to our critical accounting policies. Our critical accounting policies are described under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Use of Estimates” in our Annual Report on Form 10-K and the notes to the unaudited condensed financial statements included in Item 1, “Unaudited Financial Statements,” of this Quarterly Report on Form 10-Q. We believe that of our critical accounting policies, the following accounting policies involve the most judgment and complexity:

- Accrued research and development expenses;
- Stock-based compensation; and
- Determination of the fair value of common stock.

Accordingly, we believe the policies set forth above are critical to fully understanding and evaluating our financial condition and results of operations. If actual results or events differ materially from the estimates, judgments and assumptions used by us in applying these policies, our reported financial condition and results of operations could be materially affected.

Emerging Growth Company Status

The Jumpstart Our Business Startups Act of 2012, or the JOBS Act, permits an "emerging growth company" such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. We have irrevocably elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards when they are required to be adopted by public companies that are not emerging growth companies.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk related changes in interest rates. As of June 30, 2018, our cash equivalents consisted of money market accounts and investments in commercial paper that have contractual maturities of less than 90 days. As of June 30, 2018, our investments consisted of investments in corporate notes and commercial paper that have contractual maturities of less than one year. Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of U.S. interest rates. However, because of the short-term nature of the investments in our portfolio, an immediate 10% change in market interest rates would not have a material impact on the fair market value of our investment portfolio or on our financial position or results of operations.

Item 4. Controls and Procedures.

Limitations on Effectiveness of Controls and Procedures

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2018.

Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) has occurred during the six months ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not currently subject to any material legal proceedings.

Item 1A. Risk Factors.

Careful consideration should be given to the following risk factors, in addition to the other information set forth in this Quarterly Report on Form 10-Q and in other documents that we file with the SEC, in evaluating our company and our business. Investing in our common stock involves a high degree of risk. If any of the following risks actually occur, our business, financial condition, results of operations and future growth prospects could be materially and adversely affected.

Risks Related to Our Financial Position and Need for Additional Capital

We have incurred significant losses since inception. We expect to incur losses for the foreseeable future and may never achieve or maintain profitability.

Since our inception, we have incurred significant losses on an aggregate basis. Our net loss was $17.1 million and $22.6 million for the six months ended June 30, 2018 and for the year ended December 31, 2017, respectively. We have not generated any revenue to date from sales of any drugs and have financed our operations principally through the sale of our common stock in our initial public offering, through private placements of our preferred stock, and, to a lesser extent, through a collaboration agreement. We have devoted substantially all of our efforts to research and development. Our lead product candidate, ALRN-6924, is in clinical development, and our other product candidates are in preclinical research. As a result, we expect that it will be several years, if ever, before we have any product candidates ready for commercialization. We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future. The net losses we incur may fluctuate significantly from quarter to quarter. We anticipate that our expenses will increase substantially if and as we:

- conduct our current and future clinical trials and additional preclinical research of ALRN-6924;
- initiate and continue research and preclinical and clinical development of our other product candidates;
- seek to identify additional product candidates;
- seek marketing approvals for any of our product candidates that successfully complete clinical trials, if any;
- establish a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain marketing approval;
- require the manufacture of larger quantities of our product candidates for clinical development and potentially commercialization;
- maintain, expand and protect our intellectual property portfolio;
- acquire or in-license other drugs and technologies;
- hire and retain additional clinical, quality control and scientific personnel;
- build out new facilities or expand existing facilities to support our ongoing development activity; and
- add operational, financial and management information systems and personnel, including personnel to support our drug development, any future commercialization efforts and our compliance with our obligations as a public company.

To become and remain profitable, we must develop, obtain approval for and eventually commercialize a drug or drugs with significant market potential, either on our own or with a collaborator. This will require us to be successful in a range of challenging activities, including completing preclinical studies and clinical trials of our product candidates, obtaining marketing approval for these product candidates, manufacturing, marketing and selling those drugs for which we may obtain marketing approval and establishing and managing any collaborations for the development, marketing and/or commercialization of our product candidates. We may never succeed in these activities and, even if we do, may never generate revenues that are significant or large enough to achieve profitability. If we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would decrease the value of our company and could impair our ability to raise capital, maintain our research and development efforts, expand our business and/or continue our operations. A decline in the value of our company could also cause our stockholders to lose all or part of their investment.

Our limited operating history may make it difficult for our stockholders to evaluate the success of our business to date and to assess our future viability.

We are an early-stage company. We were incorporated in 2001 and commenced principal operations in 2006. Our operations to date have been limited to organizing and staffing our company, business planning, raising capital, developing our stapled peptide platform, identifying potential product candidates, conducting preclinical studies of our product candidates and conducting clinical trials of our product candidates. All of our product candidates other than ALRN-6924 are in preclinical research. We have not yet demonstrated our ability to successfully complete any clinical trials, including large-scale, pivotal clinical trials, obtain marketing approvals, manufacture a commercial-scale drug or arrange for a third party to do so on our behalf, or conduct sales and marketing activities necessary for successful drug commercialization. Typically, it takes about six to ten years to develop a new drug from the time it is in Phase 1 clinical trials to when it is approved for treating patients, but in many cases it may take longer. Consequently, any predictions made about our future success or viability may not be as accurate as they could be if we had a longer operating history.

In addition, as a business with a limited operating history, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. We may need to transition from a company with a research focus to a company capable of supporting commercial activities. We may not be successful in such a transition.

As we continue to build our business, we expect our financial condition and operating results may fluctuate significantly from quarter to quarter and year to year due to a variety of factors, many of which are beyond our control. Accordingly, stockholders should not rely upon the results of any particular quarterly or annual periods as indications of future operating performance.

We will need substantial additional funding. If we are unable to raise capital when needed, we may be forced to delay, reduce and/or eliminate our research and drug development programs or future commercialization efforts.

Developing pharmaceutical products, including conducting preclinical studies and clinical trials, is a very time-consuming, expensive and uncertain process that takes years to complete. We expect our expenses to increase in connection with our ongoing activities, particularly as we conduct clinical trials of, and seek marketing approval for, ALRN-6924 and our other product candidates. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to drug sales, marketing, manufacturing and distribution to the extent that such sales, marketing, manufacturing and distribution are not the responsibility of any collaborator that we may have at such time for any such product candidate. Furthermore, we expect to incur additional costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we may be forced to delay, reduce and/or eliminate our research and drug development programs or future commercialization efforts.

We will be required to expend significant funds in order to advance the development of ALRN-6924, as well as any other product candidates. In addition, while we may seek one or more collaborators for future development of our product candidates for one or more indications, we may not be able to enter into a collaboration for any of our product candidates for such indications on suitable terms, on a timely basis or at all. In any event, our cash, cash equivalents and investments as of June 30, 2018 will not be sufficient to fund all of the efforts that we plan to undertake or to fund the completion of development of any of our product candidates. Accordingly, we will be required to obtain further funding through public or private equity offerings, debt financings, collaborations and licensing arrangements or other sources. We do not have any committed external source of funds. Adequate additional financing may not be available to us on acceptable terms, or at all. Our failure to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy.

We believe that our cash, cash equivalents and investments as of June 30, 2018 will enable us to fund our operating expenses and capital expenditure requirements, including clinical trials, into the second half of 2019. Our estimate as to how long we expect our cash, cash equivalents and investments as of June 30, 2018 to be able to continue to fund our operations is based on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. Further, changing circumstances, some of which may be beyond our control, could cause us to consume capital significantly faster than we currently anticipate, and we may need to seek additional funds sooner than planned. Our future capital requirements will depend on many factors, including:

- the scope, progress, results and costs of our current and future clinical trials and additional preclinical research of ALRN-6924;
- the scope, progress, results and costs of drug discovery, preclinical research and clinical trials for our other product candidates;
- the number of future product candidates that we pursue and their development requirements;
- the costs, timing and outcome of regulatory review of our product candidates;
- our ability to establish and maintain collaborations on favorable terms, if at all;
- the success of any collaborations that we may enter into with third parties;

- the extent to which we acquire or invest in businesses, products and technologies, including entering into licensing or collaboration arrangements for product candidates, although we currently have no commitments or agreements to complete any such transactions;
- the costs and timing of future commercialization activities, including drug sales, marketing, manufacturing and distribution, for any of our product candidates for which we receive marketing approval, to the extent that such sales, marketing, manufacturing and distribution are not the responsibility of any collaborator that we may have at such time;
- the amount of revenue, if any, received from commercial sales of our product candidates, should any of our product candidates receive marketing approval;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;
- our headcount growth and associated costs, including costs of our planned build-out of new facilities, as we expand our business operations and our research and development activities; and
- the costs of operating as a public company.

Our product candidates, if approved, may not achieve commercial success. Our commercial revenues, if any, will be derived from sales of drugs that we do not expect to be commercially available for many years, if at all. If we are unable to obtain product approvals or generate significant commercial revenues, our business will be materially harmed.

Raising additional capital may cause dilution to our stockholders, restrict our operations or require us to relinquish rights to our product candidates.

We expect our expenses to increase in connection with our planned operations. Until such time, if ever, as we can generate substantial revenues from the sale of drugs, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and/or licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our then existing stockholders may be diluted, and the terms of these securities could include liquidation or other preferences and anti-dilution protections that could adversely affect the rights of our common stockholders. In addition, debt financing, if available, would result in fixed payment obligations and may involve agreements that include restrictive covenants that limit our ability to take specific actions, such as incurring additional debt, making capital expenditures, creating liens, redeeming stock or declaring dividends, that could adversely impact our ability to conduct our business. In addition, securing financing could require a substantial amount of time and attention from our management and may divert a disproportionate amount of their attention away from day-to-day activities, which may adversely affect our management's ability to oversee the development of our product candidates.

If we raise additional funds through collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technology, future revenue streams or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds when needed, we may be required to delay, reduce and/or eliminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Risks Related to the Discovery, Development and Commercialization of Our Product Candidates

We are dependent on the success of our lead product candidate, ALRN-6924, which is currently in multiple clinical trials. Our clinical trials of ALRN-6924 may not be successful. If we are unable to obtain approval for and commercialize ALRN-6924 or experience significant delays in doing so, our business will be materially harmed.

Our future success is substantially dependent on our ability to timely obtain marketing approval for, and then successfully commercialize, ALRN-6924, our lead product candidate. We are investing a majority of our efforts and financial resources in the research and development of ALRN-6924. Our other product candidates are in earlier stages of development. Our business depends entirely on the successful development and commercialization of our product candidates. We currently generate no revenues from sales of any products, and we may never be able to develop a marketable product.

ALRN-6924 will require additional clinical development, evaluation of clinical, preclinical and manufacturing activities, marketing approval in multiple jurisdictions, substantial investment and significant marketing efforts before we generate any revenues from product sales. We believe that it is the current view of the U.S. Food and Drug Administration, or FDA, that in the event that we decide to seek marketing approval of ALRN-6924 with a label limited to non-mutated or wild type, or WT, p53 cancer patients, we may, under certain circumstances, be required to have a companion *in vitro* diagnostic approved for use with ALRN-6924. We would also expect that we may be required to obtain similar approvals from comparable foreign regulatory authorities. In such cases, we will need to contract with a third party for the supply of a commercially available diagnostic to identify patients with WT p53 status, or develop such a diagnostic ourselves, in each case requiring approval of the diagnostic by regulatory authorities. Companion diagnostics are subject to regulation as medical devices and must be separately approved or cleared for marketing by the FDA or certain other foreign regulatory agencies. We are not permitted to market or promote ALRN-6924, or any other product candidates, before we receive marketing approval from the FDA and comparable foreign regulatory authorities, and we may never receive such marketing approvals.

The success of ALRN-6924 will depend on several factors, including the following:

- successful and timely completion of our ongoing clinical trials of ALRN-6924;
- initiation and successful patient enrollment and completion of additional clinical trials on a timely basis;
- safety, tolerability and efficacy profiles that are satisfactory to the FDA or any comparable foreign regulatory authority for marketing approval;
- timely receipt of marketing approvals for both ALRN-6924 and any required companion diagnostic from applicable regulatory authorities;
- the performance of our future collaborators, if any;
- the extent of any required post-marketing approval commitments to applicable regulatory authorities;
- establishment of supply arrangements with third-party raw materials and drug product suppliers and manufacturers;
- establishment of scaled production arrangements with third-party manufacturers to obtain finished products that are appropriately packaged for sale;
- obtaining and maintaining patent protection, trade secret protection and regulatory exclusivity, both in the United States and internationally;
- protection of our rights in our intellectual property portfolio, including our licensed intellectual property;
- successful launch of commercial sales following any marketing approval;
- a continued acceptable safety profile following any marketing approval;
- commercial acceptance by patients, the medical community and third-party payors; and
- our ability to compete with other therapies.

We do not have complete control over many of these factors, including certain aspects of clinical development and the regulatory submission process, potential threats to our intellectual property rights and the manufacturing, marketing, distribution and sales efforts of any future collaborator.

The approach we are taking to discover and develop novel drugs is unproven and may never lead to marketable products.

We have concentrated our efforts and therapeutic product research on stapled peptide technology, and our future success depends on the successful development of this technology and products based on stapled peptide technology. Neither we nor any other company has received marketing approval to market therapeutics utilizing stapled peptides. The scientific discoveries that form the basis for our efforts to discover and develop new drugs are relatively new. The scientific evidence to support the feasibility of developing drugs based on these discoveries is both preliminary and limited. Very few drug candidates based on these discoveries have ever been tested in animals, and development of an earlier stapled peptide product candidate by us was suspended following a clinical trial due to the anticipated costs of required reformulation. Peptides, the class of molecule we are trying to develop into drugs, do not naturally possess the inherent molecular properties typically required of drugs, such as the ability to be stable in the body long enough to reach the tissues in which their effects are required, nor the ability to enter cells within these tissues in order to exert their effects. We currently have only limited data to suggest that we can introduce these properties into peptides. We may spend large amounts of money trying to introduce these properties, and never succeed in doing so. In addition, our stapled peptide product candidates may not demonstrate in patients the chemical and pharmacological properties ascribed to them in laboratory studies, and they may interact with human biological systems in unforeseen, ineffective or harmful ways. As a result, we may never succeed in developing a marketable product. If we do not successfully develop and commercialize products based upon our technological approach, we will not become profitable and the value of our common stock will decline. Further, our focus on stapled peptide technology as opposed to multiple technologies increases the risks associated with the ownership of our common stock. If our approach is not successful, we may be required to change the scope and direction of our product development activities. In that case, we may not be able to successfully identify and implement an alternative product development strategy.

Moreover, we believe our lead product candidate, ALRN-6924, reactivates p53 by disrupting the interactions between p53 and MDMX and MDM2, thereby freeing p53 to transit to its DNA target in the nucleus and initiate apoptosis in cancerous cells. We believe that ALRN-6924 is the first and only product candidate in clinical development that can bind to and disrupt the interaction of MDMX and MDM2 with p53 with equivalent effectiveness, or equipotently. Although we have evaluated ALRN-6924 in preclinical studies and are aware of published literature supporting the role of MDMX and MDM2 in reactivating WT p53 as well as clinical results for small molecule inhibitors that act to disrupt the interaction of p53 and MDM2, we believe that we are the first to clinically test a molecule that binds directly to both MDMX and MDM2. As such, the effect of binding to and simultaneously disrupting the interactions of MDMX and MDM2 with WT p53 in cancer patients has not been established in clinical trials. In addition, the role of factors other than MDMX and MDM2 in circumventing the p53 mechanism is still the subject of continued research. As a result, we do not know whether the mechanism of action of ALRN-6924 will have the expected effect on all target cancer indications and whether ALRN-6924 will succeed in demonstrating the safety and efficacy needed to advance in clinical development and obtain marketing approval.

The outcome of preclinical testing and early clinical trials may not be predictive of the success of later clinical trials, interim results of a clinical trial do not necessarily predict final results and the results of our clinical trials may not satisfy the requirements of the FDA or comparable foreign regulatory authorities.

We currently have no drugs approved for sale and we cannot guarantee that we will ever have marketable drugs. Clinical failure can occur at any stage of clinical development. For instance, our first clinical trial of one of our earlier stapled peptide product candidates did not generate the desired results, and we suspended the development program. Clinical trials may produce negative or inconclusive results, and we or any future collaborators may decide, or regulators may require us, to conduct additional clinical trials or preclinical studies. We will be required to demonstrate with substantial evidence through well-controlled clinical trials that our product candidates are safe and effective for use in a diverse population before we can seek marketing approvals for their commercial sale. Success in preclinical studies and early-stage clinical trials does not mean that future larger registration clinical trials will be successful because product candidates in later-stage clinical trials may fail to demonstrate sufficient safety and efficacy to the satisfaction of the FDA and non-U.S. regulatory authorities despite having progressed through preclinical studies and early-stage clinical trials. Product candidates that have shown promising results in preclinical studies and early-stage clinical trials may still suffer significant setbacks in subsequent registration clinical trials. Additionally, the outcome of preclinical studies and early-stage clinical trials may not be predictive of the success of later-stage clinical trials.

From time to time, we may publish or report interim or preliminary data from our clinical trials. Interim or preliminary data from clinical trials that we may conduct may not be indicative of the final results of the trial and are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Interim or preliminary data also remain subject to audit and verification procedures that may result in the final data being materially different from the interim or preliminary data. As a result, interim or preliminary data should be viewed with caution until the final data are available.

In addition, the design of a clinical trial can determine whether its results will support approval of a drug and flaws in the design of a clinical trial may not become apparent until the clinical trial is well advanced. We have limited experience in designing clinical trials and may be unable to design and conduct a clinical trial to support marketing approval. Further, if our product candidates are found to be unsafe or lack efficacy, we will not be able to obtain marketing approval for them and our business would be harmed. A number of companies in the pharmaceutical industry, including those with greater resources and experience than us, have suffered significant setbacks in advanced clinical trials, even after obtaining promising results in preclinical studies and earlier clinical trials.

In some instances, there can be significant variability in safety and efficacy results between different clinical trials of the same product candidate due to numerous factors, including changes in trial protocols, differences in size and type of the patient populations, differences in and adherence to the dosing regimen and other trial protocols and the rate of dropout among clinical trial participants. We do not know whether any clinical trials we may conduct will demonstrate consistent or adequate efficacy and safety sufficient to obtain marketing approval to market our product candidates.

We have multiple clinical trials of ALRN-6924 currently ongoing. In the event that an adverse safety issue, clinical hold or other adverse finding occurs in one or more of our clinical trials of ALRN-6924, such event could adversely affect our other clinical trials of ALRN-6924. Moreover, there is a relatively limited safety data set for product candidates utilizing stapled peptides or that are designed to reactivate p53. An adverse safety issue or other adverse finding in a clinical trial conducted by a third party with a product candidate utilizing stapled peptides or that is designed to reactivate p53, such as the small molecules in development that target the p53-MDM2 interaction, could adversely affect our clinical trials of ALRN-6924.

Further, our product candidates may not be approved even if they achieve their primary endpoints in Phase 3 clinical trials or registration trials. The FDA or non-U.S. regulatory authorities may disagree with our trial design and our interpretation of data from preclinical studies and clinical trials. In addition, any of these regulatory authorities may change requirements for the approval of a product candidate even after reviewing and providing comments or advice on a protocol for a pivotal clinical trial that has the potential to result in approval by the FDA or another regulatory authority. In addition, any of these regulatory authorities may also approve a product candidate for fewer or more limited indications than we request or may grant approval contingent on the performance of costly post-marketing clinical trials. In addition, the FDA or other non-U.S. regulatory authorities may not approve the labeling claims that we believe would be necessary or desirable for the successful commercialization of our product candidates.

Before obtaining marketing approvals for the commercial sale of any product candidate for a target indication, we must demonstrate with substantial evidence gathered in preclinical studies and well-controlled clinical studies, and, with respect to approval in the United States, to the satisfaction of the FDA, that the product candidate is safe and effective for use for that target indication. There is no assurance that the FDA or non-U.S. regulatory authorities will consider our future clinical trials to be sufficient to serve as the basis for approval of one of our product candidates for any indication. The FDA and non-U.S. regulatory authorities retain broad discretion in evaluating the results of our clinical trials and in determining whether the results demonstrate that a product candidate is safe and effective. If we are required to conduct additional clinical trials of a product candidate than we expect prior to its approval, we will need substantial additional funds and there is no assurance that the results of any such additional clinical trials will be sufficient for approval.

Clinical drug development is a lengthy and expensive process, with an uncertain outcome. If clinical trials of our product candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs, experience delays in completing, or ultimately be unable to complete, the development of our product candidates or be unable to obtain marketing approval.

Before obtaining marketing approval from regulatory authorities for the sale of our product candidates, we must complete preclinical development and then conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates. Clinical testing is expensive, difficult to design and implement, can take many years to complete and is uncertain as to outcome. A failure of one or more clinical trials can occur at any stage of testing. The outcome of preclinical studies and early-stage clinical trials may not be predictive of the success of later clinical trials, and interim results of a clinical trial, such as the results of our ongoing clinical trials of ALRN-6924, do not necessarily predict final results. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval of their drugs.

We do not know whether ongoing clinical trials will be completed on schedule or at all, or whether future clinical trials will begin on time, need to be redesigned, enroll patients on time or be completed on schedule, if at all.

Clinical trials can be delayed for a variety of reasons, including delays related to:

- obtaining marketing approval to commence a trial;
- reaching agreement on acceptable terms with prospective contract research organizations, or CROs, and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and clinical trial sites;
- obtaining institutional review board approval at each clinical trial site;
- recruiting suitable patients to participate in a trial;
- developing and validating any companion diagnostic to be used in the trial, to the extent we are required to do so;
- patients failing to comply with trial protocol or dropping out of a trial;
- clinical trial sites deviating from trial protocol or dropping out of a trial;
- the need to add new clinical trial sites; or
- manufacturing sufficient quantities of product candidate for use in clinical trials.

We may experience numerous unforeseen events during, or as a result of, clinical trials that could delay or prevent our ability to receive marketing approval or commercialize our product candidates, including:

- we may receive feedback from regulatory authorities that requires us to modify the design of our clinical trials;
- clinical trials of our product candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon drug development programs;
- the number of patients required for clinical trials of our product candidates may be larger than we anticipate, enrollment in these clinical trials may be slower than we anticipate or participants may drop out of these clinical trials at a higher rate than we anticipate;
- our third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- we or our investigators might have to suspend or terminate clinical trials of our product candidates for various reasons, including non-compliance with regulatory requirements, a finding that our product candidates have undesirable side effects or other unexpected characteristics, or a finding that the participants are being exposed to unacceptable health risks;
- the cost of clinical trials of our product candidates may be greater than we anticipate;
- the supply or quality of our product candidates or other materials necessary to conduct clinical trials of our product candidates may be insufficient or inadequate;
- regulators may revise the requirements for approving our product candidates, or such requirements may not be as we anticipate; and
- any future collaborators that conduct clinical trials may face any of the above issues, and may conduct clinical trials in ways they view as advantageous to them but that are suboptimal for us.

If we are required to conduct additional clinical trials or other testing of our product candidates beyond those that we currently contemplate, if we are unable to successfully complete clinical trials of our product candidates or other testing, if the results of these trials or tests are not positive or are only modestly positive or if there are safety concerns, we may:

- incur unplanned costs;
- be delayed in obtaining marketing approval for our product candidates or not obtain marketing approval at all;
- obtain marketing approval in some countries and not in others;
- obtain marketing approval for indications or patient populations that are not as broad as intended or desired;
- obtain marketing approval with labeling that includes significant use or distribution restrictions or safety warnings, including boxed warnings;
- be subject to additional post-marketing testing requirements; or
- have the drug removed from the market after obtaining marketing approval.

Our drug development costs will also increase if we experience delays in testing or marketing approvals. We do not know whether clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all. Furthermore, we rely on third-party CROs and clinical trial sites to ensure the proper and timely conduct of our clinical trials, and while we have agreements governing their committed activities, we have limited influence over their actual performance. Significant clinical trial delays also could shorten any periods during which we may have the exclusive right to commercialize our product candidates or allow our competitors to bring drugs to market before we do and impair our ability to successfully commercialize our product candidates and may harm our business and results of operations.

If we experience delays or difficulties in the enrollment of patients in clinical trials, our receipt of necessary marketing approvals could be delayed or prevented.

We may not be able to initiate or continue clinical trials for our product candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials as required by the FDA or comparable foreign regulatory authorities. Patient enrollment is a significant factor in the timing of clinical trials. In particular, because our clinical trials of ALRN-6924 are focused on indications with small patient populations and are targeted at a subset of patients in such indications with cancer cells that contain WT p53, our ability to enroll eligible patients may be limited or may result in slower enrollment than we anticipate.

Patient enrollment may be affected if our competitors have ongoing clinical trials for product candidates that are under development for the same indications as our product candidates, and patients who would otherwise be eligible for our clinical trials instead enroll in clinical trials of our competitors' product candidates. Patient enrollment may also be affected by other factors, including:

- size and nature of the patient population;
- severity of the disease under investigation;
- availability and efficacy of approved drugs for the disease under investigation;
- patient eligibility criteria for the trial in question;
- perceived risks and benefits of the product candidate under study;
- efforts to facilitate timely enrollment in clinical trials;
- patient referral practices of physicians;
- the ability to monitor patients adequately during and after treatment;
- proximity and availability of clinical trial sites for prospective patients; and
- continued enrollment of prospective patients by clinical trial sites.

Our inability to enroll a sufficient number of patients for our clinical trials would result in significant delays or may require us to abandon one or more clinical trials altogether. Enrollment delays in our clinical trials may result in increased development costs for our product candidates, which would cause the value of our company to decline and limit our ability to obtain additional financing.

If serious adverse or unacceptable side effects are identified during the development of our product candidates or we observe limited efficacy of our product candidates, we may need to abandon or limit the development of one or more of our product candidates.

Adverse events or undesirable side effects caused by, or other unexpected properties of, our product candidates could cause us, any future collaborators, an institutional review board, or IRB, or regulatory authorities to interrupt, delay or halt clinical trials of one or more of our product candidates and could result in the delay or denial of marketing approval by the FDA or comparable foreign regulatory authorities or a more restrictive label, if approved.

In general, our clinical trials of ALRN-6924 include cancer patients who are very sick and whose health is deteriorating, and we expect that additional clinical trials of ALRN-6924 and our other product candidates will include similar patients with deteriorating health. It is possible that some of these patients might die prior to their completion of our clinical trial. Such deaths may be caused by the cancers from which such patients are suffering, or other causes, unrelated to ALRN-6924 or the other product candidates that may be the subject of the clinical trial. Even if the deaths are not related to our product candidate, the deaths could affect perceptions regarding the safety of our product candidate.

In our ongoing Phase 1 trial of ALRN-6924 monotherapy for the treatment of AML and MDS, a patient that was receiving a 3.8 mg/kg dose of ALRN-6924 under our three times per week dosing regimen died of tumor lysis syndrome. This tumor lysis syndrome was determined to be related to treatment with ALRN-6924. We have reported the death to the FDA, and since the death, have dosed an additional three patients at the 2.7 mg/kg dose level as per trial protocol. We plan to continue to enroll patients in the trial.

If any of our product candidates are associated with adverse events or undesirable side effects or have properties that are unexpected such as the death we observed in our Phase 1 clinical trial, our trials could be suspended or terminated and the FDA or comparable foreign regulatory authorities could order us to cease further development of or deny approval of our product candidates for any or all targeted indications. We, or any future collaborators, may abandon development or limit development of that product candidate to certain uses or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective. Drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete the trial or result in potential product liability claims. Any of these occurrences may harm our business, results of operations, financial condition and prospects significantly.

We have never obtained marketing approval for a product candidate and we may be unable to obtain, or may be delayed in obtaining, marketing approval for any of our product candidates.

We have never obtained marketing approval for a product candidate. It is possible that the FDA may refuse to accept for substantive review any new drug applications, or NDAs, that we submit for our product candidates or may conclude after review of our data that our application is insufficient to obtain marketing approval of our product candidates. If the FDA does not accept or approve our NDAs for our product candidates, it may require that we conduct additional clinical, nonclinical or manufacturing validation studies and submit that data before it will reconsider our applications. Depending on the extent of these or any other FDA-required studies, approval of any NDA or application that we submit may be delayed by several years, or may require us to expend more resources than we have available. It is also possible that additional studies, if performed and completed, may not be considered sufficient by the FDA to approve our NDAs.

Any delay in obtaining, or an inability to obtain, marketing approvals would prevent us from commercializing our product candidates, generating revenues and achieving and sustaining profitability. If any of these outcomes occur, we may be forced to abandon our development efforts for our product candidates, which could significantly harm our business.

The FDA or comparable foreign regulatory authorities may, under certain circumstances, require that a companion diagnostic be approved for use with ALRN-6924. If we are unable to successfully develop and obtain approval for such a diagnostic, either on our own or through a third party, or if we experience significant delays in doing so, we may not obtain marketing approval for ALRN-6924 in a timely manner, or at all.

If we decide to seek marketing approval of ALRN-6924 with a label limited to WT p53 cancer patients, we may, under certain circumstances, be required to have a companion *in vitro* diagnostic approved for use with ALRN-6924. We would also expect that we may be required to obtain similar approvals from comparable foreign regulatory authorities. In such cases, we will need to contract with a third party for the supply of a commercially available diagnostic to identify patients with WT p53 status, or develop such a diagnostic ourselves, in each case requiring approval of the diagnostic by regulatory authorities. We are currently evaluating the risks and benefits of each approach. We currently rely upon commercially available third-party assays and employ a central laboratory to test both archived tumor tissue samples and fresh biopsy samples from patients taken prior to enrollment in clinical trials of ALRN-6924 to identify WT p53 status. We do not have experience or capabilities in developing or commercializing companion diagnostics.

Companion diagnostics are subject to regulation by the FDA and comparable foreign regulatory authorities as medical devices and require separate marketing approval prior to commercialization. We or any third party upon which we decide to rely may encounter difficulties in developing and obtaining approval for a companion diagnostic for ALRN-6924, including issues relating to selectivity/specificity, analytical validation, reproducibility or clinical validation. The process of complying with the requirements of the FDA and comparable foreign regulatory authorities to support marketing authorization of a companion diagnostic is costly, time-consuming and burdensome. Any delay or failure to develop or obtain marketing approval of the companion diagnostic could delay or prevent approval of ALRN-6924.

We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may be more profitable or for which there is a greater likelihood of success.

Because we have limited financial and managerial resources, we focus on research programs and product candidates that we identify for specific indications. As a result, we may forego or delay pursuit of opportunities with other product candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial drugs or profitable market opportunities. Our spending on current and future research and development programs and product candidates for specific indications may not yield any commercially viable drugs. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other strategic arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate.

We may not be successful in our efforts to identify or discover additional potential product candidates.

One element of our strategy is to leverage our proprietary stapled peptide technology to develop additional product candidates across oncology and other diseases with unmet medical need. We may not be successful in doing so. Our research programs may initially show promise in identifying potential product candidates, yet fail to yield product candidates for clinical development for a number of reasons, including:

- the research methodology used may not be successful in identifying potential product candidates;
- potential product candidates may, on further study, be shown to have harmful side effects or other characteristics that indicate that they are unlikely to be drugs that will receive marketing approval and/or achieve market acceptance; and
- potential product candidates may not be effective in treating their targeted diseases.

Research programs to identify new product candidates require substantial technical, financial and human resources. If we are unable to identify suitable compounds for preclinical and clinical development, our business would be harmed.

If any of our product candidates receives marketing approval and we, or others, later discover that the drug is less effective than previously believed or causes undesirable side effects that were not previously identified, our ability, or that of any future collaborators, to market the drug could be compromised.

Clinical trials of our product candidates must be conducted in carefully defined subsets of patients who have agreed to enter into clinical trials. Consequently, it is possible that our clinical trials, or those of any future collaborator, may indicate an apparent positive effect of a product candidate that is greater than the actual positive effect, if any, or alternatively fail to identify undesirable side effects. If one or more of our product candidates receives marketing approval and we, or others, discover that the drug is less effective than previously believed or causes undesirable side effects that were not previously identified, a number of potentially significant negative consequences could result, including:

- regulatory authorities may withdraw their approval of the drug or seize the drug;
- we, or any future collaborators, may be required to recall the drug, change the way the drug is administered or conduct additional clinical trials;
- additional restrictions may be imposed on the marketing of, or the manufacturing processes for, the particular drug;
- we may be subject to fines, injunctions or the imposition of civil or criminal penalties;
- regulatory authorities may require the addition of labeling statements, such as a “black box” warning or a contraindication;
- we, or any future collaborators, may be required to create a Medication Guide outlining the risks of the previously unidentified side effects for distribution to patients;
- we, or any future collaborators, could be sued and held liable for harm caused to patients;
- the drug may become less competitive; and
- our reputation may suffer.

Any of these events could have a material and adverse effect on our operations and business and could adversely impact our stock price.

Even if any of our product candidates receive marketing approval, they may fail to achieve the degree of market acceptance by physicians, patients, healthcare payors and others in the medical community necessary for commercial success.

If any of our product candidates receive marketing approval, they may nonetheless fail to gain sufficient market acceptance by physicians, patients, healthcare payors and others in the medical community. For example, current cancer treatments like chemotherapy and radiation therapy are well-established in the medical community, and doctors may continue to rely on these treatments. If our product candidates do not achieve an adequate level of acceptance, we may not generate significant revenues from sales of drugs and we may not become profitable. The degree of market acceptance of our product candidates, if approved for commercial sale, will depend on a number of factors, including:

- the efficacy and safety of the product;
- the potential advantages of the product compared to competitive therapies;
- the prevalence and severity of any side effects;
- whether the product is designated under physician treatment guidelines as a first-, second- or third-line therapy;
- our ability, or the ability of any future collaborators, to offer the product for sale at competitive prices;
- the product's convenience and ease of administration compared to alternative treatments;
- the willingness of the target patient population to try, and of physicians to prescribe, the product;
- limitations or warnings, including distribution or use restrictions contained in the product's approved labeling;
- the strength of sales, marketing and distribution support;
- changes in the standard of care for the targeted indications for the product; and
- availability and amount of coverage and reimbursement from government payors, managed care plans and other third-party payors.

If, in the future, we are unable to establish sales and marketing capabilities or enter into agreements with third parties to sell and market our product candidates, we may not be successful in commercializing our product candidates if and when they are approved.

We do not have a sales or marketing infrastructure and have no experience in the sale or marketing of pharmaceutical drugs. We are not currently a party to a strategic collaboration that provides us with access to a collaborator's resources in selling or marketing drugs. To achieve commercial success for any approved drug for which sales and marketing is not the responsibility of any strategic collaborator that we may have in the future, we must either develop a sales and marketing organization or outsource these functions to other third parties. In the future, we may choose to build a sales and marketing infrastructure to market or co-promote some of our product candidates if and when they are approved or enter into collaborations with respect to the sale and marketing of our product candidates.

There are risks involved with both establishing our own sales and marketing capabilities and entering into arrangements with third parties to perform these services. For example, recruiting and training a sales force is expensive and time-consuming and could delay any commercial launch of a product candidate. If the commercial launch of a product candidate for which we recruit a sales force and establish marketing capabilities is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialization expenses. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

Factors that may inhibit our efforts to commercialize our drugs on our own include:

- our inability to recruit and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to physicians or persuade adequate numbers of physicians to prescribe any future drugs;
- the lack of complementary drugs to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive drug lines;
- unforeseen costs and expenses associated with creating an independent sales and marketing organization; and
- inability to obtain sufficient coverage and reimbursement from third-party payors and governmental agencies.

If we enter into arrangements with third parties to perform sales and marketing services, our revenues from the sale of drugs or the profitability of these revenues to us are likely to be lower than if we were to market and sell any drugs that we develop ourselves. In addition, we may not be successful in entering into arrangements with third parties to sell and market our product candidates or may be unable to do so on terms that are favorable to us. We likely will have little control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our drugs effectively. If we do not establish sales and marketing capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing our product candidates.

We face substantial competition, which may result in others discovering, developing or commercializing products before or more successfully than we do.

The pharmaceutical and biotechnology industries generally, and the cancer drug sector specifically, are highly competitive and characterized by rapidly advancing technologies, evolving understanding of disease etiology and a strong emphasis on proprietary drugs. We face competition with respect to ALRN-6924, our lead product candidate, and will face competition with respect to any product candidates that we may seek to discover and develop or commercialize in the future, from major pharmaceutical, specialty pharmaceutical and biotechnology companies. There are a number of major pharmaceutical, specialty pharmaceutical and biotechnology companies that currently market and sell drugs or are pursuing the development of drugs for the treatment of cancer. Potential competitors also include academic institutions and governmental agencies and public and private research institutions.

There are a large number of companies developing or marketing treatments for cancer, including the indications for which we may develop product candidates. Many of the companies that we compete or may compete against in the future have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved drugs than we do. Small or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or that may be necessary for, our programs.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize drugs that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any drugs that we may develop. Our competitors also may obtain FDA or other regulatory approval for their drugs more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. The key competitive factors affecting the success of all of our product candidates, if approved, are likely to be their efficacy, safety, convenience, price, the effectiveness of companion diagnostics in guiding the use of related therapeutics, the level of generic competition and the availability of reimbursement from government and other third-party payors.

The most common methods of treating patients with cancer are surgery, radiation and drug therapy. There are a variety of available drug therapies marketed for cancer. In many cases, these drugs are administered in combination to enhance efficacy. Some of the currently-approved drug therapies are branded and subject to patent protection and may be established as the standard of care for treatment of indications for which we may choose to seek regulatory approvals. Many of these approved drugs are well-established therapies and are widely accepted by physicians, patients and third-party payors, and, even if our drug candidates were to be approved, there can be no assurance that our drugs would displace existing treatments. In addition to currently marketed therapies, there are also a number of drugs in late-stage clinical development to treat cancer, including the indications for which we are developing product candidates. These clinical-stage drug candidates may provide efficacy, safety, convenience and other benefits that are not provided by currently-marketed therapies. As a result, they may provide significant competition for any of our product candidates for which we obtain regulatory approval.

We designed ALRN-6924, our lead product candidate, to act as a reactivator of p53 for the treatment of various cancers. We are aware of other product candidates that are in clinical development for the treatment of various cancers through the reactivation of p53. Although there is a subset of drugs that directly target the p53 pathway, there are many cancer drugs that claim to affect the p53 pathway by upstream or complementary pathways. We are aware of selective small molecule inhibitors that are designed to target the p53-MDM2 interaction in various stages of clinical development being tested by F. Hoffmann-La Roche Ltd and Hoffmann-La Roche Inc., or collectively Roche, Amgen Inc., Novartis AG, Boehringer Ingelheim, Ascentage Pharma Group Corp Ltd, and Daiichi Sankyo Co., Ltd. If ALRN-6924 were to be approved for the indications for which we currently have ongoing clinical trials, it will compete with currently-marketed drugs or drugs that may be approved for marketing by the FDA in the future and such competition will not be limited to drugs that act through the reactivation of p53.

If the FDA or comparable foreign regulatory authorities approve generic versions of any of our drugs that receive marketing approval, or such authorities do not grant our drugs appropriate periods of data or market exclusivity before approving generic versions of our drugs, the sales of our drugs could be adversely affected.

Once an NDA is approved, the drug covered thereby becomes a "reference-listed drug" in the FDA's publication, "Approved Drug Products with Therapeutic Equivalence Evaluations." Manufacturers may seek approval of generic versions of reference-listed drugs through submission of abbreviated new drug applications, or ANDAs, in the United States. In support of an ANDA, a generic manufacturer need not conduct clinical trials demonstrating safety and efficacy. Rather, the applicant generally must show that its drug has the same active ingredient(s), dosage form, strength, route of administration and conditions of use or labeling as the reference-listed drug and that the generic version is bioequivalent to the reference-listed drug, meaning it is absorbed in the body at the same rate and to the same extent. Generic drugs may be significantly less costly to bring to market than the reference-listed drug and companies that produce generic drugs are generally able to offer them at lower prices. Thus, following the introduction of a generic drug, a significant percentage of the sales of any branded product or reference-listed drug is typically lost to the generic drug.

The FDA may not approve an ANDA for a generic drug until any applicable period of non-patent exclusivity for the reference-listed drug has expired. The Federal Food, Drug, and Cosmetic Act, or FDCA, provides a period of five years of non-patent exclusivity for a new drug containing a new chemical entity, or NCE. Specifically, in cases where such exclusivity has been granted, an ANDA may not be filed with the FDA and the FDA may not approve the application until the expiration of five years unless the submission is accompanied by a Paragraph IV certification that a patent covering the reference-listed drug is either invalid or will not be infringed by the generic drug, in which case the applicant may submit its application four years following approval of the reference-listed drug. Manufacturers may seek to launch these generic drugs following the expiration of the marketing exclusivity period, even if we still have patent protection for our drug.

Competition that our drugs may face from generic versions of our drugs could materially and adversely impact our future revenue, profitability and cash flows and substantially limit our ability to obtain a return on the investments we have made in those drug candidates. Our future revenues, profitability and cash flows could also be materially and adversely affected and our ability to obtain a return on the investments we have made in those drug candidates may be substantially limited if our drugs, if and when approved, are not afforded the appropriate periods of non-patent exclusivity.

Even if we are able to commercialize any product candidate, such product candidate may become subject to unfavorable pricing regulations, third-party coverage and reimbursement policies or healthcare reform initiatives, which would harm our business.

The regulations that govern marketing approval, pricing, coverage and reimbursement for new drugs vary widely from country to country. Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period begins after marketing approval is granted. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain marketing approval for a product in a particular country, but then be subject to price regulations that delay our commercial launch of the product, possibly for lengthy time periods, and negatively impact the revenues we are able to generate from the sale of the product in that country. Adverse pricing limitations may hinder our ability to recoup our investment in one or more product candidates, even if our product candidates obtain marketing approval.

Our ability to commercialize any products successfully also will depend in part on the extent to which reimbursement and coverage for these products and related treatments will be available from government authorities, private health insurers and other organizations, and if reimbursement and coverage is available, the level of reimbursement and coverage. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which medications they will pay for and establish reimbursement levels. A primary trend in the healthcare industry in the United States and elsewhere is cost containment. Government authorities and third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. Increasingly, the third-party payors who reimburse patients or healthcare providers, such as government and private insurance plans, are requiring that drug companies provide them with predetermined discounts from list prices, and are seeking to reduce the prices charged or the amounts reimbursed for medical products. We cannot be sure that reimbursement will be available for any drug that we commercialize and, if reimbursement is available, we cannot be sure as to the level of reimbursement. Reimbursement may impact the demand for, or the price of, any product candidate for which we obtain marketing approval. If reimbursement is not available or is available only to limited levels, we may not be able to successfully commercialize any product candidate for which we obtain marketing approval.

There may be significant delays in obtaining reimbursement for newly approved drugs, and coverage may be more limited than the purposes for which the drug is approved by the FDA or comparable foreign regulatory authorities. Moreover, eligibility for reimbursement does not imply that any drug will be reimbursed in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Interim reimbursement levels for new drugs, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Reimbursement rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on reimbursement levels already set for lower cost drugs, may be incorporated into existing payments for other services and may reflect budgetary constraints or imperfections in Medicare data. Net prices for drugs may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. Third-party payors often rely upon Medicare coverage policy and payment limitations in setting their own reimbursement rates. Our inability to promptly obtain coverage and adequate reimbursement rates from both government-funded and private payors for new products that we develop and for which we obtain marketing approval could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize products and our overall financial condition.

Product liability lawsuits against us could cause us to incur substantial liabilities and to limit commercialization of any drugs that we may develop.

We face an inherent risk of product liability exposure related to the testing of our product candidates in clinical trials and will face an even greater risk if we commercially sell any drugs that we may develop. If we cannot successfully defend ourselves against claims that our product candidates or drugs caused injuries, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for any product candidates or drugs that we may develop;
- injury to our reputation and significant negative media attention;
- withdrawal of clinical trial participants;
- significant costs to defend the related litigation;
- substantial monetary awards to trial participants or patients;
- loss of revenue;
- reduced resources of our management to pursue our business strategy; and
- the inability to commercialize any drugs that we may develop.

We currently hold clinical trial liability insurance coverage for up to $5.0 million, but that coverage may not be adequate to cover any and all liabilities that we may incur. We would need to increase our insurance coverage when we begin the commercialization of our product candidates, if ever. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise.

Governments outside of the United States tend to impose strict price controls, which may adversely affect our revenues from the sales of our products, if any.

In some countries, particularly member states of 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. In addition, there can be considerable pressure by governments and other stakeholders on prices and reimbursement levels, including as part of cost containment measures. Political, economic and regulatory developments may further complicate pricing negotiations, and pricing negotiations may continue after reimbursement has been obtained. Reference pricing used by various European Union member states and parallel distribution, or arbitrage between low-priced and high-priced member states, can further reduce prices. In some countries, we, or our future collaborators, may be required to conduct a clinical trial or other studies that compare the cost-effectiveness of our product candidates to other available therapies in order to obtain or maintain reimbursement or pricing approval. Publication of discounts by third-party payors or authorities may lead to further pressure on the prices or reimbursement levels within the country of publication and other countries. If reimbursement of any product candidate approved for marketing is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business could be materially harmed.

Risks Related to Our Dependence on Third Parties

We rely on third parties to conduct our clinical trials and some aspects of our research and preclinical studies, and those third parties may not perform satisfactorily, including failing to meet deadlines for the completion of such trials, research and studies.

We currently rely on third parties, such as CROs, clinical data management organizations, medical institutions and clinical investigators, to conduct our clinical trials of ALRN-6924 and expect to continue to rely upon third parties to conduct additional clinical trials of ALRN-6924 and our other product candidates. We currently rely and expect to continue to rely on third parties to conduct some aspects of our research and preclinical studies. Any of these third parties may terminate their engagements with us at any time. If we need to enter into alternative arrangements, it would delay our drug development activities.

Our reliance on these third parties for research and development activities will reduce our control over these activities but will not relieve us of our regulatory responsibilities. For example, we will remain responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. Moreover, the FDA requires us to comply with standards, commonly referred to as Good Clinical Practice, or GCP, regulations for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. The European Medicines Agency, or EMA, also requires us to comply with similar standards. Regulatory authorities enforce these GCP requirements through periodic inspections of trial sponsors, principal investigators and trial sites. If we or any of our CROs fail to comply with applicable GCP requirements, the clinical data generated in our clinical trials may be deemed unreliable and the FDA, EMA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. There can be no assurances that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials comply with GCP regulations. In addition, our clinical trials must be conducted with product produced under current Good Manufacturing Practices, or cGMP, regulations. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the marketing approval process. We also are required to register certain ongoing clinical trials and post the results of certain completed clinical trials on a government-sponsored database, ClinicalTrials.gov, within certain timeframes. Failure to do so can result in fines, adverse publicity and civil and criminal sanctions.

Furthermore, these third parties may also have relationships with other entities, some of which may be our competitors. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or conduct our clinical trials in accordance with regulatory requirements or our stated protocols, we will not be able to obtain, or may be delayed in obtaining, marketing approvals for our product candidates and will not be able to, or may be delayed in our efforts to, successfully commercialize our product candidates.

We also expect to rely on other third parties to store and distribute drug supplies for our clinical trials. Any performance failure on the part of such third parties could delay clinical development or marketing approval of our product candidates or commercialization of our drugs, producing additional losses and depriving us of potential revenue from sales of drugs.

We contract with third parties for the manufacture of our product candidates for preclinical studies and, in the case of ALRN-6924, our ongoing clinical trials, and expect to continue to do so for additional clinical trials and ultimately for commercialization. This reliance on third parties increases the risk that we will not have sufficient quantities of our product candidates or drugs or such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts.

We do not have any manufacturing facilities or personnel. We currently rely, and expect to continue to rely, on third-party manufacturers for the manufacture of our product candidates for preclinical studies and clinical trials under the guidance of members of our organization. To date, we have obtained the active pharmaceutical ingredient, or API, of ALRN-6924 from one third-party manufacturer. We have engaged a separate third-party manufacturer to conduct fill-and-finish and labeling services, as well as for the storage and distribution of ALRN-6924 to clinical sites. We do not have a long-term supply agreement with either of these third-party manufacturers, and we purchase our required drug supplies on a purchase order basis.

We expect to rely on third-party manufacturers or third-party collaborators for the manufacture of our product candidates for commercial supply of any of our product candidates for which we or any of our future collaborators obtain marketing approval. We may be unable to establish any agreements with third-party manufacturers or to do so on acceptable terms. Even if we are able to establish agreements with third-party manufacturers, reliance on third-party manufacturers entails additional risks, including:

- the possible failure of the third party to manufacture our product candidate according to our schedule, or at all, including if our third-party contractors give greater priority to the supply of other products over our product candidates or otherwise do not satisfactorily perform according to the terms of the agreements between us and them;
- the possible termination or nonrenewal of agreements by our third-party contractors at a time that is costly or inconvenient for us;
- the possible breach by the third-party contractors of our agreements with them;
- the failure of third-party contractors to comply with applicable regulatory requirements;

- the possible failure of the third party to manufacture our product candidates according to our specifications;
- the possible mislabeling of clinical supplies, potentially resulting in the wrong dose amounts being supplied or active drug or placebo not being properly identified;
- the possibility of clinical supplies not being delivered to clinical sites on time, leading to clinical trial interruptions, or of drug supplies not being distributed to commercial vendors in a timely manner, resulting in lost sales; and
- the possible misappropriation of our proprietary information, including our trade secrets and know-how.

The facilities used by our contract manufacturers to manufacture our product candidates must be approved by the FDA pursuant to inspections that will be conducted after we submit our NDA to the FDA. We do not have complete control over all aspects of the manufacturing process of, and are dependent on, our contract manufacturing partners for compliance with cGMP regulations for manufacturing both active drug substances and finished drug products. Third-party manufacturers may not be able to comply with cGMP regulations or similar regulatory requirements outside of the United States. If our contract manufacturers cannot successfully manufacture material that conforms to our specifications and the strict regulatory requirements of the FDA or others, they will not be able to secure and/or maintain marketing approval for their manufacturing facilities. In addition, we do not have complete control over the ability of our contract manufacturers to maintain adequate quality control, quality assurance and qualified personnel. If the FDA or a comparable foreign regulatory authority does not approve these facilities for the manufacture of our product candidates or if it withdraws any such approval in the future, we may need to find alternative manufacturing facilities, which would significantly impact our ability to develop, obtain marketing approval for or market our product candidates, if approved. Our failure, or the failure of our third-party manufacturers, to comply with applicable regulations could result in sanctions being imposed on us, including fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates or drugs, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect supplies of our drugs and harm our business and results of operations.

Any drugs that we may develop may compete with other product candidates and drugs for access to manufacturing facilities. There are a limited number of manufacturers that operate under cGMP regulations and that might be capable of manufacturing for us.

Any performance failure on the part of our existing or future manufacturers could delay clinical development or marketing approval. We do not currently have arrangements in place for redundant supply of the API of ALRN-6924 and we only currently use a different single third-party manufacturer for fill-and-finish services for ALRN-6924. If our current contract manufacturers cannot perform as agreed, we may be required to replace those manufacturers. Although we believe that there are several potential alternative manufacturers who could manufacture our product candidates, we may incur added costs and delays in identifying and qualifying any such replacement.

Our current and anticipated future dependence upon others for the manufacture of our product candidates or drugs may adversely affect our future profit margins and our ability to commercialize any drugs that receive marketing approval on a timely and competitive basis.

Although we currently plan to retain all commercial rights to ALRN-6924 and our other stapled peptide product candidates, we may enter into strategic collaborations for the development, marketing and commercialization of ALRN-6924 and our other stapled peptide product candidates. If those collaborations are not successful, the development, marketing and/or commercialization of our product candidates that are the subject of such collaborations would be harmed.

As we further develop ALRN-6924, we may build a commercial infrastructure with the capability to directly market it to a variety of markets and geographies. Although we currently plan to retain all commercial rights to ALRN-6924 and our other stapled peptide product candidates, we may enter into strategic collaborations for the development, marketing and commercialization of ALRN-6924 and our other product candidates. Our likely collaborators for any collaboration arrangements include large and mid-size pharmaceutical companies, regional and national pharmaceutical companies and biotechnology companies. If we do enter into any such arrangements with any third parties, we will likely have limited control over the amount and timing of resources that our collaborators dedicate to the development, marketing and/or commercialization of our product candidates. Our ability to generate revenues from these arrangements will depend on our collaborators' abilities to successfully perform the functions assigned to them in these arrangements. In addition, any future collaborators may have the right to abandon research or development projects and terminate applicable agreements, including funding obligations, prior to or upon the expiration of the agreed upon terms. For example, in 2013, Roche terminated the research collaboration to which we were a party.

Collaborations involving our product candidates would pose the following risks to us:

- collaborators have significant discretion in determining the efforts and resources that they will apply to these collaborations;
- collaborators may not perform their obligations as expected;
- collaborators may not pursue development, marketing and/or commercialization of our product candidates or may elect not to continue or renew development, marketing or commercialization programs based on clinical trial results, changes in the collaborator's strategic focus or available funding or external factors such as an acquisition that diverts resources or creates competing priorities;

- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;
- collaborators could independently develop, or develop with third parties, drugs that compete directly or indirectly with our drugs or product candidates;
- a collaborator with marketing and distribution rights to one or more drugs may not commit sufficient resources to the marketing and distribution of such drug or drugs;
- disagreements with collaborators, including disagreements over proprietary rights, contract interpretation or the preferred course of development, might cause delays or termination of the research, development or commercialization of product candidates, might lead to additional responsibilities for us with respect to product candidates, or might result in litigation or arbitration, any of which would be time-consuming and expensive;
- collaborators may not properly maintain or defend our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our proprietary information or expose us to potential litigation;
- collaborators may infringe the intellectual property rights of third parties, which may expose us to litigation and potential liability;
- we may lose certain valuable rights under circumstances identified in any collaboration arrangement that we enter into, such as if we undergo a change of control;
- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development, marketing and/or commercialization of the applicable product candidates;
- collaborators may learn about our discoveries, data, proprietary information, trade secrets or compounds and use this knowledge to compete with us in the future; and
- the number and type of our collaborations could adversely affect our attractiveness to future collaborators or acquirers.

Collaboration agreements may not lead to development or commercialization of product candidates in the most efficient manner, or at all.

If we decide to seek to establish collaborations, but are not able to establish those collaborations, we may have to alter our development and commercialization plans.

Our drug development programs and the potential commercialization of our product candidates will require substantial additional cash to fund expenses. As noted above, we may seek to selectively form collaborations to expand our capabilities, potentially accelerate research and development activities and provide for commercialization activities by third parties.

We would face significant competition in seeking appropriate collaborators. Whether we reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. Those factors may include the design or results of clinical trials, the likelihood of approval by the FDA or comparable foreign regulatory authorities, the potential market for the subject product candidate, the costs and complexities of manufacturing and delivering such product candidate to patients, the potential of competing drugs, the existence of uncertainty with respect to our ownership of intellectual property, which can exist if there is a challenge to such ownership without regard to the merits of the challenge, and industry and market conditions generally. The potential collaborator may also consider alternative product candidates or technologies for similar indications that may be available to collaborate on and whether such a collaboration could be more attractive than the one with us for our product candidate.

We may also be restricted under then-existing collaboration agreements from entering into future agreements on certain terms with potential collaborators.

Collaborations are complex and time-consuming to negotiate and document. In addition, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future collaborators.

We may not be able to negotiate collaborations on a timely basis, on acceptable terms, or at all, if and when we seek to enter into collaborations. If we are unable to do so, we may have to curtail the development of a product candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to increase our expenditures to fund development or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms, or at all. If we do not have sufficient funds, we may not be able to further develop our product candidates or bring them to market and generate revenue from sales of drugs.

Risks Related to Our Intellectual Property

Our success depends in part on our ability to protect our intellectual property. It is difficult and costly to protect our proprietary rights and technology, and we may not be able to ensure their protection.

Our commercial success will depend in large part on obtaining and maintaining patent, trademark and trade secret protection of our proprietary technologies and our product candidates, which include ALRN-6924 and others, their respective components, formulations, methods used to manufacture them and methods of treatment, as well as successfully defending these patents against third-party challenges. Our ability to stop unauthorized third parties from making, using, selling, offering to sell or importing our product candidates is dependent upon the extent to which we have rights under valid and enforceable patents or trade secrets that cover these activities.

The patenting process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. In addition, we may not pursue or obtain patent protection in all relevant markets. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. Our pending and future patent applications may not result in issued patents that protect our technology or products, in whole or in part. In addition, our existing patents and any future patents we obtain may not be sufficiently broad to prevent others from using our technology or from developing competing products and technologies.

We currently in-license certain intellectual property from President and Fellows of Harvard College, or Harvard, and Dana-Farber Cancer Institute, or DFCI, and others. In the future we may in-license intellectual property from other licensors. We rely on certain of these licensors to file and prosecute patent applications and maintain patents and otherwise protect the intellectual property we license from them. We have limited control over these activities or any other intellectual property that may be related to our in-licensed intellectual property. For example, we cannot be certain that such activities by these licensors have been or will be conducted in compliance with applicable laws and regulations or will result in valid and enforceable patents and other intellectual property rights. We have limited control over the manner in which our licensors initiate an infringement proceeding against a third-party infringer of the intellectual property rights, or defend certain of the intellectual property that is licensed to us. It is possible that the licensors' infringement proceeding or defense activities may be less vigorous than had we conducted them ourselves.

The growth of our business may depend in part on our ability to acquire or in-license additional proprietary rights. For example, our programs may involve additional product candidates that may require the use of additional proprietary rights held by third parties. Our product candidates may also require specific formulations to work effectively and efficiently. These formulations may be covered by intellectual property rights held by others. We may develop products containing our compounds and pre-existing pharmaceutical compounds. These pharmaceutical compounds may be covered by intellectual property rights held by others. We may be required by the FDA or comparable foreign regulatory authorities to provide a companion diagnostic test or tests with our product candidates. These diagnostic test or tests may be covered by intellectual property rights held by others. We may be unable to acquire or in-license any relevant third-party intellectual property rights that we identify as necessary or important to our business operations. We may fail to obtain any of these licenses at a reasonable cost or on reasonable terms, if at all, which would harm our business. We may need to cease use of the compositions or methods covered by such third-party intellectual property rights, and may need to seek to develop alternative approaches that do not infringe on such intellectual property rights which may entail additional costs and development delays, even if we were able to develop such alternatives, which may not be feasible. Even if we are able to obtain a license under such intellectual property rights, any such license may be non-exclusive, which may allow our competitors access to the same technologies licensed to us.

Additionally, we sometimes collaborate with academic institutions to accelerate our preclinical research or development under written agreements with these institutions. In certain cases, these institutions provide us with an option to negotiate a license to any of the institution's rights in technology resulting from the collaboration. Regardless of such option, we may be unable to negotiate a license within the specified timeframe or under terms that are acceptable to us. If we are unable to do so, the institution may offer the intellectual property rights to others, potentially blocking our ability to pursue our program. If we are unable to successfully obtain rights to required third-party intellectual property or to maintain the existing intellectual property rights we have, we may have to abandon development of such program and our business and financial condition could suffer.

The licensing and acquisition of third-party intellectual property rights is a competitive practice, and companies that may be more established, or have greater resources than we do, may also be pursuing strategies to license or acquire third-party intellectual property rights that we may consider necessary or attractive in order to commercialize our product candidates. More established companies may have a competitive advantage over us due to their larger size and cash resources or greater clinical development and commercialization capabilities. There can be no assurance that we will be able to successfully complete such negotiations and ultimately acquire the rights to the intellectual property surrounding the additional product candidates that we may seek to acquire.

During the course of business we have decided not to pursue certain products or processes and have terminated certain corresponding intellectual property license agreements or removed certain intellectual property from current license agreements, and we may do so again in the future. If it is later determined that our activities or product candidates infringe this intellectual property we may be liable for damages, enhanced damages or subjected to an injunction, any of which could have a material adverse effect on our business.

The patent position of pharmaceutical and biotechnology companies generally is highly uncertain and involves complex legal and factual questions for which many legal principles remain unresolved. In recent years patent rights have been the subject of significant litigation. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain. Our pending and future patent applications may not result in patents being issued in the United States or in other jurisdictions which protect our technology or products or which effectively prevent others from commercializing competitive technologies and products. Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection. In addition, the laws of foreign countries may not protect our rights to the same extent as the laws of the United States. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications, or that we were the first to file for patent protection of such inventions. In addition, the U.S. Patent and Trademark Office, or USPTO, might require that the term of a patent issuing from a pending patent application be disclaimed and limited to the term of another patent that is commonly owned or names a common inventor. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

Recent or future patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents. In March 2013, under the recently enacted Leahy-Smith America Invents Act, or America Invents Act, the United States moved from a “first to invent” to a “first-to-file” system. Under a “first-to-file” system, assuming the other requirements for patentability are met, the first inventor to file a patent application generally will be entitled to a patent on the invention regardless of whether another inventor had made the invention earlier. The America Invents Act includes a number of other significant changes to U.S. patent law, including provisions that affect the way patent applications are prosecuted, redefine prior art and establish a new post-grant review system. The effects of these changes are currently unclear as the USPTO only recently developed new regulations and procedures in connection with the America Invents Act and many of the substantive changes to patent law, including the “first-to-file” provisions, only became effective in March 2013. In addition, the courts have yet to address many of these provisions and the applicability of the act and new regulations on specific patents discussed herein have not been determined and would need to be reviewed. However, the America Invents Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business and financial condition. We may become involved in opposition, interference, derivation, *inter partes* review or other proceedings challenging our patent rights or the patent rights of others, and the outcome of any proceedings are highly uncertain. An adverse determination in any such proceeding could reduce the scope of, or invalidate, our patent rights, allow third parties to commercialize our technology or products and compete directly with us, without payment to us, or result in our inability to manufacture or commercialize products without infringing third-party patent rights.

Even if our patent applications issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors from competing with us or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our owned or licensed patents by developing similar or alternative technologies or products in a non-infringing manner. The issuance of a patent is not conclusive as to its scope, validity or enforceability, and our owned and in-licensed patents may be challenged in the courts or patent offices in the United States and abroad. Such challenges may result in the patent claims of our owned or in-licensed patents being narrowed, invalidated or held unenforceable, which could limit our ability to stop or prevent us from stopping others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and products. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours or otherwise provide us with a competitive advantage.

The degree of future protection for our proprietary rights is uncertain because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage. For example:

- others may be able to make or use compounds that are similar to the pharmaceutical compounds used in our product candidates but that are not covered by the claims of our patents;
- the active pharmaceutical ingredients in our current product candidates will eventually become commercially available in generic drug products, and no patent protection may be available with regard to formulation or method of use;
- we or our licensors, as the case may be, may fail to meet our obligations to the U.S. government in regards to any in-licensed patents and patent applications funded by U.S. government grants, leading to the loss of patent rights;
- we or our licensors, as the case may be, might not have been the first to file patent applications for these inventions;
- others may independently develop similar or alternative technologies or duplicate any of our technologies;
- it is possible that our pending patent applications will not result in issued patents;

- it is possible that there are prior public disclosures that could invalidate our or our licensors' patents, as the case may be, or parts of our or their patents;
- it is possible that others may circumvent our owned or in-licensed patents;
- it is possible that there are unpublished applications or patent applications maintained in secrecy that may later issue with claims covering our products or technology similar to ours;
- the laws of foreign countries may not protect our or our licensors', as the case may be, proprietary rights to the same extent as the laws of the United States;
- the claims of our owned or in-licensed issued patents or patent applications, if and when issued, may not cover our product candidates;
- our owned or in-licensed issued patents may not provide us with any competitive advantages, may be narrowed in scope or may be held invalid or unenforceable as a result of legal challenges by third parties;
- the inventors of our owned or in-licensed patents or patent applications may become involved with competitors, develop products or processes which design around our patents or become hostile to us or the patents or patent applications on which they are named as inventors;
- we have engaged in scientific collaborations in the past, such as with Roche, and will continue to do so in the future. Such collaborators may develop adjacent or competing products to ours that are outside the scope of our patents;
- we may not develop additional proprietary technologies for which we can obtain patent protection;
- it is possible that product candidates or diagnostic tests we develop may be covered by third parties' patents or other exclusive rights; or
- the patents of others may have an adverse effect on our business.

We also may rely on trade secrets to protect our technology, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect, and we have limited control over the protection of trade secrets used by our licensors, collaborators and suppliers. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors, outside scientific collaborators and other advisors may unintentionally or willfully disclose our information to competitors or use such information to compete with us. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how. If our confidential or proprietary information is divulged to or acquired by third parties, including our competitors, our competitive position in the marketplace will be harmed and this would have a material adverse effect on our business.

If any of our owned or in-licensed patents are found to be invalid or unenforceable, or if we are otherwise unable to adequately protect our rights, it could have a material adverse impact on our business and our ability to commercialize or license our technology and product candidates. Likewise, our current owned and in-licensed patents covering our proprietary technologies and our product candidates are expected to expire on various dates from 2020 through 2033, without taking into account any possible patent term adjustments or extensions. Our earliest in-licensed patents were only filed in the United States and may expire before, or soon after, our first product achieves marketing approval in the United States. Upon the expiration of our current patents, we may lose the right to exclude others from practicing these inventions. The expiration of these patents could also have a similar material adverse effect on our business, results of operations, financial condition and prospects. We own or in-license pending patent applications covering our proprietary technologies or our product candidates that if issued as patents are expected to expire from 2020 through 2037, without taking into account any possible patent term adjustments or extensions. However, we cannot be assured that the USPTO or relevant foreign patent offices will grant any of these patent applications.

If we fail to comply with our obligations under our patent licenses with third parties, we could lose license rights that are important to our business.

We are a party to license agreements with Harvard, DFCI, Materia and others, pursuant to which we in-license key patent and patent applications for our product candidates. These existing licenses impose various diligence, milestone payment, royalty, insurance and other obligations on us. If we fail to comply with these obligations, our licensors may have the right to terminate the license, in which event we would not be able to develop or market the products covered by such licensed intellectual property.

In early 2016, Harvard asserted that we had not achieved one or more of the diligence milestones set forth in our license agreement with Harvard and DFCI within the time provided for in the agreement and that we were in material breach of the license agreement. In making this assertion, Harvard did not seek to terminate the license agreement or interfere with our ongoing p53 program, but instead proposed to convert our exclusive license with respect to certain of the patent families licensed under the license agreement to a non-exclusive license. DFCI did not join Harvard in making this assertion or proposal and has not expressed a similar position to us. Under Harvard's proposal, we would have retained our rights to these patent families under the license agreement on a non-exclusive basis, and Harvard and DFCI would have been able to license these patent families to third parties so that we would be unable to prevent third parties from practicing the claims of those patents, but Harvard and DFCI would not have been able to license to third parties any of

the other patent families licensed to us under the license agreement or any of our own patents or patent applications. As such, Harvard's proposal would not have impeded our development of ALRN-6924 or our other ongoing programs. However, we rejected the proposal and provided Harvard with a response stating that we believe that we had fully satisfied the diligence milestones as required under the license agreement and that Harvard's claim of breach is incorrect. Since that time, we have continued to communicate with Harvard in the ordinary course under the license agreement and have paid a milestone payment to Harvard, and Harvard has not further asserted to us its claim of material breach or sought to terminate the license agreement. In addition, in May 2017, we received correspondence from Harvard, which indicated that Harvard is aware of a third party that is interested in developing a product that may require a license under certain of the patent families licensed to us under the license agreement. If Harvard were to assert in the future that we are in material breach of the license agreement and to seek to terminate the license agreement such that we lost our right to practice the claims of the patents licensed under the license agreement, we would not be able to commercialize ALRN-6924 until the applicable patents expired unless we were able to negotiate a new license arrangement with Harvard or DFCI with respect to the patent families owned by them respectively. Such loss of license rights under the license agreement with Harvard and DFCI or the loss of license rights under other of our license agreements if we were found not to be in compliance with such license agreements could materially adversely affect our business, results of operations, financial condition and prospects. We may enter into additional licenses in the future and if we fail to comply with obligations under those agreements, we could suffer similar consequences.

We may incur substantial costs as a result of litigation or other proceedings relating to patents, and we may be unable to protect our rights to our products and technology.

If we or our licensors choose to go to court to stop a third party from using the inventions claimed in our owned or in-licensed patents, that third party may ask the court to rule that the patents are invalid and/or should not be enforced against that third party. These lawsuits are expensive and would consume time and other resources even if we or they, as the case may be, were successful in stopping the infringement of these patents. In addition, there is a risk that the court will decide that these patents are not valid and that we or they, as the case may be, do not have the right to stop others from using the inventions.

There is also the risk that, even if the validity of these patents is upheld, the court will refuse to stop the third party on the ground that such third party's activities do not infringe our owned or in-licensed patents. In addition, the U.S. Supreme Court has recently changed some legal principles that affect patent applications, granted patents and assessment of the eligibility or validity of these patents. As a consequence, issued patents may be found to contain invalid claims according to the newly revised eligibility and validity standards. Some of our owned or in-licensed patents may be subject to challenge and subsequent invalidation or significant narrowing of claim scope in proceedings before the USPTO, or during litigation, under the revised criteria which could also make it more difficult to obtain patents.

We, or our licensors, may not be able to detect infringement against our owned or in-licensed patents, as the case may be, which may be especially difficult for manufacturing processes or formulation patents. Even if we or our licensors detect infringement by a third party of our owned or in-licensed patents, we or our licensors, as the case may be, may choose not to pursue litigation against or settlement with the third party. If we, or our licensors, later sue such third party for patent infringement, the third party may have certain legal defenses available to it, which otherwise would not be available except for the delay between when the infringement was first detected and when the suit was brought. Such legal defenses may make it impossible for us or our licensors to enforce our owned or in-licensed patents, as the case may be, against such third party.

If another party questions the patentability of any of our claims in our owned or in-licensed U.S. patents, the third party can request that the USPTO review the patent claims such as in an *inter partes* review, *ex parte* re-exam or post-grant review proceedings. These proceedings are expensive and may result in a loss of scope of some claims or a loss of the entire patent. In addition to potential USPTO review proceedings, we may become a party to patent opposition proceedings in the European Patent Office, or EPO, or similar proceedings in other foreign patent offices, where either our owned or in-licensed foreign patents are challenged. The costs of these opposition or similar proceedings could be substantial, and may result in a loss of scope of some claims or a loss of the entire patent. An unfavorable result at the USPTO, EPO or other patent office may result in the loss of our right to exclude others from practicing one or more of our inventions in the relevant country or jurisdiction, which could have a material adverse effect on our business.

We may incur substantial costs as a result of litigation or other proceedings relating to intellectual property rights other than patents, and we may be unable to protect our rights to our products and technology.

We may rely on trade secrets and confidentiality agreements to protect our technology and know-how, especially where we do not believe patent protection is appropriate or obtainable. Enforcing a claim that a third party illegally obtained and is using any of our trade secrets is expensive and time consuming, and the outcome is unpredictable. In addition, courts outside the United States are sometimes less willing to protect trade secrets. If we choose to go to court to stop a third party from using any of our trade secrets, we may incur substantial costs. These lawsuits may consume our time and other resources even if we are successful.

If we are sued for infringing patents or other intellectual property rights of third parties, it will be costly and time consuming, and an unfavorable outcome in that litigation would have a material adverse effect on our business.

Our commercial success depends upon our ability to develop, manufacture, market and sell our product candidates and use our proprietary technologies without infringing the proprietary rights of third parties. U.S. and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields relating to our product candidates. As the biotechnology and

pharmaceutical industries expand and more patents are issued, the risk increases that others may assert our product candidates infringe the patent rights of others. Moreover, it is not always clear to industry participants, including us, which patents cover various types of drugs, products or their methods of use or manufacture. Thus, because of the large number of patents issued and patent applications filed in our fields, there may be a risk that third parties may allege they have patent rights encompassing our product candidates, technologies or methods.

In addition, because some patent applications in the United States may be maintained in secrecy until the patents are issued, patent applications in the United States and many foreign jurisdictions are typically not published until 18 months after filing, and publications in the scientific literature often lag behind actual discoveries, we cannot be certain that others have not filed patent applications for technology covered by our owned and in-licensed issued patents or our pending applications, or that we or, if applicable, a licensor were the first to invent the technology. Our competitors may have filed, and may in the future file, patent applications covering our products or technology similar to ours. Any such patent application may have priority over our owned and in-licensed patent applications or patents, which could require us to obtain rights to issued patents covering such technologies. If another party has filed a U.S. patent application on inventions similar to those owned by or in-licensed to us, we or, in the case of in-licensed technology, the licensor may have to participate in an interference proceeding declared by the USPTO to determine priority of invention in the United States. If we or one of our licensors is a party to an interference proceeding involving a U.S. patent application on inventions owned by or in-licensed to us, we may incur substantial costs, divert management's time and expend other resources, even if we are successful.

There is a substantial amount of litigation involving patent and other intellectual property rights in the biotechnology and pharmaceutical industries generally. We may be exposed to, or threatened with, future litigation by third parties having patent or other intellectual property rights alleging that our product candidates and/or proprietary technologies infringe their intellectual property rights.

If a third party claims that we infringe its intellectual property rights, we may face a number of issues, including, but not limited to:

- infringement and other intellectual property claims which, regardless of merit, may be expensive and time-consuming to litigate and may divert our management's attention from our core business;
- substantial damages for infringement, which we may have to pay if a court decides that the product candidate or technology at issue infringes on or violates the third party's rights, and, if the court finds that the infringement was willful, we could be ordered to pay treble damages and the patent owner's attorneys' fees;
- a court prohibiting us from developing, manufacturing, marketing or selling our product candidates, or from using our proprietary technologies, unless the third party licenses its product rights to us, which it is not required to do;
- if a license is available from a third party, we may have to pay substantial royalties, upfront fees and other amounts, and/or grant cross-licenses to intellectual property rights for our products; and
- redesigning our product candidates or processes so they do not infringe, which may not be possible or may require substantial monetary expenditures and time.

Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations or could otherwise have a material adverse effect on our business, results of operations, financial condition and prospects.

We may choose to challenge the patentability of claims in a third party's U.S. patent by requesting that the USPTO review the patent claims in an *ex-parte* re-exam, *inter partes* review or post-grant review proceedings. These proceedings are expensive and may consume our time or other resources. We may choose to challenge a third party's patent in patent opposition proceedings in the EPO, or other foreign patent office. The costs of these opposition proceedings could be substantial, and may consume our time or other resources. If we fail to obtain a favorable result at the USPTO, EPO or other patent office then we may be exposed to litigation by a third party alleging that the patent may be infringed by our product candidates or proprietary technologies.

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

Filing, prosecuting and defending patents on all of our product candidates throughout the world would be prohibitively expensive. Competitors may use our technology 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 where enforcement is not as strong as in the United States. These products may compete with our product candidates in jurisdictions where we do not have any issued patents and our patent claims or other intellectual property rights may not be effective or sufficient to prevent them from so 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 against third parties in violation of our proprietary rights generally. The initiation of proceedings by third parties to challenge the scope or validity of our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business.

Obtaining and maintaining our patent protection depends upon compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent prosecution process and following the issuance of a patent. Our failure to comply with such requirements could 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 if our patent were in force, which would have a material adverse effect on our business.

We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

As is common in the biotechnology and pharmaceutical industries, we employ individuals who were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although no claims against us are currently pending, we may be subject to claims that these employees or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses, and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and, if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. This type of litigation or proceeding could substantially increase our operating losses and reduce our resources available for development activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their substantially greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other intellectual property related proceedings could adversely affect our ability to compete in the marketplace.

Risks Related to Marketing Approval and Other Legal Compliance Matters

Even if we complete the necessary preclinical studies and clinical trials, the marketing approval process is expensive, time-consuming and uncertain and may prevent us, or any future collaborators, from obtaining approvals for the commercialization of some or all of our product candidates. As a result, we cannot predict when or if, and in which territories, we, or any future collaborators, will obtain marketing approval to commercialize a product candidate.

The research, testing, manufacturing, labeling, approval, selling, marketing, promotion and distribution of drugs are subject to extensive regulation by the FDA and comparable foreign regulatory authorities, whose laws and regulations may differ from country to country. We, and any future collaborators, are not permitted to market our product candidates in the United States or in other countries until we or they receive approval of an NDA from the FDA or marketing approval from comparable foreign regulatory authorities. Our product candidates are in early stages of development and are subject to the risks of failure inherent in drug development. We have not submitted an application for or received marketing approval for any of our product candidates in the United States or in any other jurisdiction. We have limited experience in conducting and managing the clinical trials necessary to obtain marketing approvals, including FDA approval of an NDA.

The process of obtaining marketing approvals, both in the United States and abroad, is a lengthy, expensive and uncertain process. It may take many years, if approval is obtained at all, and can vary substantially based upon a variety of factors, including the type, complexity and novelty of the product candidates involved. Securing marketing approval requires the submission of extensive preclinical and clinical data and supporting information to regulatory authorities for each therapeutic indication to establish the product candidate's safety and efficacy. Securing marketing approval also requires the submission of information about the product manufacturing process to, and inspection of manufacturing facilities by, the regulatory authorities. The FDA or other regulatory authorities have substantial discretion and may determine that our product candidates are not safe and effective, only moderately effective or have undesirable or unintended side effects, toxicities or other characteristics that preclude our obtaining marketing approval or prevent or limit commercial use. Any marketing approval we ultimately obtain may be limited or subject to restrictions or post-approval commitments that render the approved product not commercially viable.

Our product candidates could fail to receive marketing approval for many reasons, including the following:

- the FDA or comparable foreign regulatory authorities may disagree with the design or implementation of our clinical trials;
- we may be unable to demonstrate to the satisfaction of the FDA or comparable foreign regulatory authorities that a product candidate is safe and effective for its proposed indication;
- the results of clinical trials may not meet the level of statistical significance required by the FDA or comparable foreign regulatory authorities for approval;

- we may be unable to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- the FDA or comparable foreign regulatory authorities may disagree with our interpretation of data from preclinical studies or clinical trials;
- the data collected from clinical trials of our product candidates may not be sufficient to support the submission of an NDA or other submission or to obtain marketing approval in the United States or elsewhere;
- the FDA or comparable foreign regulatory authorities may fail to approve the manufacturing processes or facilities of third-party manufacturers with which we contract for clinical and commercial supplies;
- the FDA or comparable foreign regulatory authorities may fail to approve any companion diagnostics that may be required in connection with approval of our therapeutic product candidates; and
- the approval policies or regulations of the FDA or comparable foreign regulatory authorities may significantly change in a manner rendering our clinical data insufficient for approval.

This lengthy approval process as well as the unpredictability of clinical trial results may result in our failing to obtain marketing approval to market ALRN-6924, which would significantly harm our business, results of operations and prospects.

In addition, changes in marketing approval policies during the development period, changes in or the enactment or promulgation of additional statutes, regulations or guidance or changes in regulatory review for each submitted drug application may cause delays in the approval or rejection of an application. Regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that our data are insufficient for approval and require additional preclinical studies, clinical trials or other studies and testing. In addition, varying interpretations of the data obtained from preclinical studies and clinical trials could delay, limit or prevent marketing approval of a product candidate. Any marketing approval we, or any collaborators we may have in the future, ultimately obtain may be limited or subject to restrictions or post-approval commitments that render the approved drug not commercially viable.

Any delay in obtaining or failure to obtain required approvals could materially adversely affect our ability or that of any collaborators we may have to generate revenue from the particular product candidate, which likely would result in significant harm to our financial position and adversely impact our stock price.

Failure to obtain marketing approval in foreign jurisdictions would prevent our product candidates from being marketed abroad. Any approval we are granted for our product candidates in the United States would not assure approval of our product candidates in foreign jurisdictions.

In order to market and sell our drugs in the European Union and many other jurisdictions, we, and any collaborators we may have in the future, must obtain separate marketing approvals and comply with numerous and varying regulatory requirements. The approval procedure varies among countries and can involve additional testing. The time required to obtain approval may differ substantially from that required to obtain FDA approval. The marketing approval process outside of the United States generally includes all of the risks associated with obtaining FDA approval. In addition, in many countries outside of the United States, it is required that the drug be approved for reimbursement before the drug can be approved for sale in that country. We, and any collaborators we may have in the future, may not obtain approvals from regulatory authorities outside of the United States on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one regulatory authority outside of the United States does not ensure approval by regulatory authorities in other countries or jurisdictions or by the FDA.

Additionally, on June 23, 2016, the electorate in the United Kingdom voted in favor of leaving the European Union, commonly referred to as Brexit. On March 29, 2017, the country formally notified the European Union of its intention to withdraw pursuant to Article 50 of the Lisbon Treaty. Since a significant proportion of the regulatory framework in the United Kingdom is derived from European Union directives and regulations, the referendum could materially impact the regulatory regime with respect to the approval of our product candidates in the United Kingdom or the European Union. Any delay in obtaining, or an inability to obtain, any marketing approvals, as a result of Brexit or otherwise, would prevent us from commercializing our product candidates in the United Kingdom and/or the European Union and restrict our ability to generate revenue and achieve and sustain profitability. If any of these outcomes occur, we may be forced to restrict or delay efforts to seek regulatory approval in the United Kingdom and/or European Union for our product candidates, which could significantly and materially harm our business.

We, or any future collaborators, may not be able to obtain orphan drug designation or obtain or maintain orphan drug exclusivity for our product candidates and, even if we do, that exclusivity many not prevent the FDA or the EMA from approving competing products.

Regulatory authorities in some jurisdictions, including the United States and the European Union, may designate drugs for relatively small patient populations as orphan drugs. Under the Orphan Drug Act, the FDA may designate a product as an orphan drug if it is a drug intended to treat a rare disease or condition, which is generally defined as a patient population of fewer than 200,000 individuals annually in the United States, or a patient population greater than 200,000 in the United States where there is no reasonable

expectation that the cost of developing the drug will be recovered from sales in the United States. In April 2017, the FDA granted orphan drug designation to ALRN-6924 for use in the treatment of AML. We expect to seek orphan drug designation for ALRN-6924 for PTCL and MDS and may seek orphan drug designations for ALRN-6924 for other indications or for other of our product candidates. There can be no assurances that we will be able to obtain such designations.

In the United States, orphan drug designation entitles a party to financial incentives such as opportunities for grant funding towards clinical trial costs, tax advantages and user-fee waivers. In addition, if a product that has orphan drug designation subsequently receives the first FDA approval for the disease for which it has such designation, the product is entitled to orphan drug exclusivity. Orphan drug exclusivity in the United States provides that the FDA may not approve any other applications, including a full NDA, to market the same drug for the same indication for seven years, except in limited circumstances. The applicable exclusivity period is ten years in Europe. The European exclusivity period can be reduced to six years if a drug no longer meets the criteria for orphan drug designation or if the drug is sufficiently profitable so that market exclusivity is no longer justified.

Even if we, or any future collaborators, obtain orphan drug designation for a product candidate as we have obtained for ALRN-6924 for AML, we, or they, may not be able to obtain or maintain orphan drug exclusivity for that product candidate. We may not be the first to obtain marketing approval of any product candidate for which we have obtained orphan drug designation for the orphan-designated indication due to the uncertainties associated with developing pharmaceutical products. In addition, exclusive marketing rights in the United States may be limited if we seek approval for an indication broader than the orphan-designated indication or may be lost if the FDA later determines that the request for designation was materially defective or if we are unable to assure sufficient quantities of the product to meet the needs of patients with the rare disease or condition. Further, even if we, or any future collaborators, obtain orphan drug exclusivity for a product, that exclusivity may not effectively protect the product from competition because different drugs with different active moieties may be approved for the same condition. Even after an orphan drug is approved, the FDA can subsequently approve the same drug with the same active moiety for the same condition if the FDA concludes that the later drug is clinically superior in that it is shown to be safer, more effective or makes a major contribution to patient care or the manufacturer of the product with orphan exclusivity is unable to maintain sufficient product quantity. Orphan drug designation neither shortens the development time or regulatory review time of a drug nor gives the drug any advantage in the regulatory review or approval process.

Even if we, or any collaborators we may have in the future, obtain marketing approvals for our product candidates, the terms of approvals and ongoing regulation of our drugs could require substantial expenditure of resources and may limit how we, or they, manufacture and market our drugs, which could materially impair our ability to generate revenue.

Once marketing approval has been granted, an approved drug and its manufacturer and marketer are subject to ongoing review and extensive regulation. These requirements include submissions of safety and other post-marketing information and reports, registration and listing requirements, requirements relating to manufacturing, quality control, quality assurance and corresponding maintenance of records and documents, requirements regarding the distribution of samples to physicians and recordkeeping. We, and any collaborators we may have in the future, must also comply with requirements concerning advertising and promotion for any of our product candidates for which we or they obtain marketing approval. Promotional communications with respect to prescription drugs are subject to a variety of legal and regulatory restrictions and must be consistent with the information in the drug's approved labeling. Thus, we, and any collaborators we may have in the future, may not be able to promote any drugs we develop for indications or uses for which they are not approved.

The FDA may also impose requirements for costly post-marketing studies or clinical trials and surveillance to monitor the safety or efficacy of a drug. For example, the approval may be subject to limitations on the indicated uses for which the drug may be marketed or to the conditions of approval, including the requirement to implement a Risk Evaluation and Mitigation Strategy, which could include requirements for a restricted distribution system. Manufacturers of approved drugs and those manufacturers' facilities are also required to comply with extensive FDA requirements, including ensuring that quality control and manufacturing procedures conform to cGMPs, which include requirements relating to quality control and quality assurance as well as the corresponding maintenance of records and documentation and reporting requirements. We, our contract manufacturers, our future collaborators and their contract manufacturers could be subject to periodic unannounced inspections by the FDA to monitor and ensure compliance with cGMPs.

Accordingly, assuming we, or our future collaborators, receive marketing approval for one or more of our product candidates, we, and our future collaborators, and our and their contract manufacturers will continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production, product surveillance and quality control.

If we, and our future collaborators, are not able to comply with post-approval regulatory requirements, we, and our future collaborators, could have the marketing approvals for our drugs withdrawn by regulatory authorities and our, or our future collaborators', ability to market any future drugs could be limited, which could adversely affect our ability to achieve or sustain profitability. Further, the cost of compliance with post-approval regulations may have a negative effect on our operating results and financial condition.

The FDA's and other regulatory authorities' policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates, which would impact our ability to generate revenue.

In December 2016, the 21st Century Cures Act, or Cures Act, was signed into law. The Cures Act, among other things, is intended to modernize the regulation of drugs and spur innovation, but its ultimate implementation is unclear. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained and we may not achieve or sustain profitability, which would adversely affect our business, prospects, financial condition and results of operations.

We also cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative or executive action, either in the United States or abroad. For example, certain policies of the current administration may impact our business and industry. Namely, the current administration has taken several executive actions, including the issuance of a number of executive orders, that could impose significant burdens on, or otherwise materially delay, the FDA's ability to engage in routine regulatory and oversight activities such as implementing statutes through rulemaking, issuance of guidance and review and approval of marketing applications. Notably, on January 30, 2017, the President issued an executive order, applicable to all executive agencies, including the FDA, which requires that for each notice of proposed rulemaking or final regulation to be issued in fiscal year 2017, the agency shall identify at least two existing regulations to be repealed, unless prohibited by law. These requirements are referred to as the "two-for-one" provisions. This executive order includes a budget neutrality provision that required the total incremental cost of all new regulations in the 2017 fiscal year, including repealed regulations, to be no greater than zero, except in limited circumstances. For fiscal years 2018 and beyond, the executive order requires agencies to identify regulations to offset any incremental cost of a new regulation and approximate the total costs or savings associated with each new regulation or repealed regulation. In interim guidance issued by the Office of Information and Regulatory Affairs within Office of Management and Budget on February 2, 2017, the administration indicated that the "two-for-one" provisions may apply not only to agency regulations, but also to significant agency guidance documents. In addition, on February 24, 2017, the President issued an executive order directing each affected agency to designate an agency official as a "Regulatory Reform Officer" and establish a "Regulatory Reform Task Force" to implement the two-for-one provisions and other previously issued executive orders relating to the review of federal regulations; however, it is difficult to predict how these requirements will be implemented, and the extent to which they will impact the FDA's ability to exercise its regulatory authority. If these executive actions impose constraints on the FDA's ability to engage in oversight and implementation activities in the normal course, our business may be negatively impacted.

Any of our product candidates for which we, or our future collaborators, obtain marketing approval in the future will be subject to substantial penalties if we, or they, fail to comply with regulatory requirements or if we, or they, experience unanticipated problems with our drugs following approval.

Any of our product candidates for which we, or our future collaborators, obtain marketing approval in the future, will be subject to continual review by the FDA and other regulatory authorities.

The FDA and other agencies, including the Department of Justice, or the DOJ, closely regulate and monitor the post-approval marketing and promotion of drugs to ensure that they are manufactured, marketed and distributed only for the approved indications and in accordance with the provisions of the approved labeling. The FDA imposes stringent restrictions on manufacturers' communications regarding off-label use and if we, or our future collaborators, do not market any of our product candidates for which we, or they, receive marketing approval for only their approved indications, we, or they, may be subject to warnings or enforcement action for off-label marketing. Violation of the FDCA and other statutes, including the False Claims Act, relating to the promotion and advertising of prescription drugs may lead to investigations or allegations of violations of federal and state healthcare fraud and abuse laws and state consumer protection laws.

In addition, later discovery of previously unknown adverse events or other problems with our drugs or their manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may yield various results, including:

- litigation involving patients taking our drug;
- restrictions on such drugs, manufacturers or manufacturing processes;
- restrictions on the labeling or marketing of a drug;
- restrictions on drug distribution or use;
- requirements to conduct post-marketing studies or clinical trials;
- warning letters or untitled letters;
- withdrawal of the drugs from the market;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recall of drugs;

- fines, restitution or disgorgement of profits or revenues;
- suspension or withdrawal of marketing approvals;
- damage to relationships with any potential collaborators;
- restrictions on coverage by third-party payors;
- unfavorable press coverage and damage to our reputation;
- refusal to permit the import or export of drugs;
- drug seizure; or
- injunctions or the imposition of civil or criminal penalties.

Recently enacted and future legislation, and a change in existing government regulations and policies, may increase the difficulty and cost for us and our future collaborators to obtain marketing approval of and commercialize our product candidates and affect the prices we, or they, may obtain.

In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could, among other things, prevent or delay marketing approval of our product candidates, restrict or regulate post-approval activities and affect our ability, or the ability of any future collaborators, to profitably sell any drugs for which we, or they, obtain marketing approval. We expect that current laws, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we, or any future collaborators, may receive for any approved drugs.

In the United States, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or Medicare Modernization Act, changed the way Medicare covers and pays for pharmaceutical products and could decrease the coverage and price that we, or any future collaborators, may receive for any approved drugs. While the Medicare Modernization Act applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates. Therefore, any reduction in reimbursement that results from the Medicare Modernization Act may result in a similar reduction in payments from private payors.

In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively the Affordable Care Act, or ACA, which substantially changed the way healthcare is financed by both governmental and private insurers, was enacted. Among the provisions of the ACA of potential importance to our business, including, without limitation, our ability to commercialize and the prices we may obtain for any of our product candidates, are the following:

- an annual, non-deductible fee on any entity that manufactures or imports specified branded prescription drugs and biologic agents;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program;
- expansion of federal healthcare fraud and abuse laws, including the False Claims Act and the Anti-Kickback Statute, new government investigative powers and enhanced penalties for non-compliance;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices;
- extension of manufacturers' Medicaid rebate liability;
- expansion of eligibility criteria for Medicaid programs;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;
- new requirements to report certain financial arrangements with physicians and certain others, including reporting "transfers of value" made or distributed to prescribers and other healthcare providers and reporting investment interests held by physicians and their immediate family members;
- a new requirement to annually report drug samples that manufacturers and distributors provide to physicians; and
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

In addition, other legislative changes have been proposed and adopted since the ACA was enacted. These changes include the Budget Control Act of 2011, which, among other things, led to aggregate reductions to Medicare payments to providers of 2% per fiscal year starting in 2013 and, due to subsequent legislative amendments to the statute, the reductions will stay in effect through 2025 unless additional congressional action is taken, and the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several types of providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws may result in additional reductions in Medicare and other healthcare funding and otherwise affect the prices we may obtain for any of our product candidates for which we may obtain regulatory approval or the frequency with which any such product candidate is prescribed or used. Further, there have been several recent U.S. congressional inquiries and proposed state and federal legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the costs of drugs under Medicare and reform government program reimbursement methodologies for drug products.

We expect that these healthcare reforms, as well as other healthcare reform measures that may be adopted in the future, may result in additional reductions in Medicare and other healthcare funding, more rigorous coverage criteria, new payment methodologies and additional downward pressure on the price that we receive for any approved product and/or the level of reimbursement physicians receive for administering any approved product we might bring to market. Reductions in reimbursement levels may negatively impact the prices we receive or the frequency with which our products are prescribed or administered. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors. Since enactment of the ACA, there have been numerous legal challenges and Congressional actions to repeal and replace provisions of the ACA. In May 2017, the U.S. House of Representatives passed legislation known as the American Health Care Act of 2017. Thereafter, the Senate Republicans introduced and then updated a bill to replace the ACA known as the Better Care Reconciliation Act of 2017, and in the U.S. Senate a number of measures have been proposed and considered, but none has been passed.

The current Administration has also taken executive actions to undermine or delay implementation of the ACA. In January 2017, an executive order was issued directing federal agencies with authorities and responsibilities under the ACA to waive, defer, grant exemptions from, or delay the implementation of any provision of the ACA that would impose a fiscal or regulatory burden on states, individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices. In October 2017, a second executive order was issued allowing for the use of association health plans and short-term health insurance, which may provide fewer health benefits than the plans sold through the ACA exchanges. At the same time, the Administration announced that it will discontinue the payment of cost-sharing reduction, or CSR, payments to insurance companies until Congress approves the appropriation of funds for such CSR payments. The loss of the CSR payments is expected to increase premiums on certain policies issued by qualified health plans under the ACA. A bill to appropriate funds for CSR payments was introduced in the Senate, but the future of that bill is uncertain.

More recently, with enactment of the Tax Cuts and Jobs Act of 2017, in December 2017, Congress repealed the “individual mandate.” The repeal of this provision, which requires most Americans to carry a minimal level of health insurance, will become effective in 2019. According to the Congressional Budget Office, the repeal of the individual mandate will cause 13 million fewer Americans to be insured in 2027 and premiums in insurance markets may rise. Further, each chamber of Congress has put forth multiple bills designed to repeal or repeal and replace portions of the ACA. Although none of these measures has been enacted by Congress to date, Congress may consider other legislation to repeal and replace elements of the ACA.

We will continue to evaluate the effect that the ACA and its possible repeal and replacement could have on our business. It is possible that repeal and replacement initiatives, if enacted into law, could ultimately result in fewer individuals having health insurance coverage or in individuals having insurance coverage with less generous benefits. Accordingly, such reforms, if enacted, could have an adverse effect on anticipated revenue from product candidates that we may successfully develop and for which we may obtain marketing approval and may affect our overall financial condition and ability to develop commercialize product candidates. While the timing and scope of any potential future legislation to repeal and replace ACA provisions is highly uncertain in many respects, it is also possible that some of the ACA provisions that generally are not favorable for the research-based pharmaceutical industry could also be repealed along with ACA coverage expansion provisions. At this point, healthcare reform and its impacts on the Company are highly uncertain in many respects.

Additional changes that may affect our business include the expansion of new programs such as Medicare payment for performance initiatives for physicians under the Medicare Access and CHIP Reauthorization Act of 2015, or MACRA, which will be fully implemented in 2019. At this time, it is unclear how the introduction of the Medicare quality payment program will impact overall physician reimbursement.

We expect that these and other healthcare reform measures that may be adopted in the future may result in more rigorous coverage criteria and in additional downward pressure on the price that we receive for any approved drug. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability or commercialize our drugs. We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our drug candidates or additional pricing pressures.

The cost of prescription pharmaceuticals in the United States has also been the subject of considerable discussion in the United States, and members of Congress and the Administration have stated that they will address such costs through new legislative and administrative measures. The pricing of prescription pharmaceuticals is also subject to governmental control outside the United States. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost-effectiveness of our product candidates to that of other available therapies. If reimbursement of our products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our ability to generate revenues and become profitable could be impaired. In the European Union, similar political, economic and regulatory developments may affect our ability to profitably commercialize our products.

Moreover, legislative and regulatory proposals have also been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. We cannot be 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 U.S. Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject us and any future collaborators to more stringent drug labeling and post-marketing testing and other requirements.

We may seek a breakthrough therapy designation for ALRN-6924 or one or more of our other product candidates, we might not receive such designation, and even if we do, such designation may not lead to a faster development or regulatory review or approval process.

We may seek a breakthrough therapy designation for ALRN-6924 or one or more of our other product candidates. A breakthrough therapy is defined as a drug that is intended, alone or in combination with one or more other drugs, to treat a serious condition, and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. For drugs and biologics that have been designated as breakthrough therapies, interaction and communication between the FDA and the sponsor of the trial can help to identify the most efficient path for clinical development while minimizing the number of patients placed in ineffective control regimens. Drugs designated as breakthrough therapies by the FDA may also be eligible for priority review if supported by clinical data at the time the NDA is submitted to the FDA.

Designation as a breakthrough therapy is within the discretion of the FDA. Accordingly, even if we believe that one of our product candidates meets the criteria for designation as a breakthrough therapy, the FDA may disagree and instead determine not to make such designation. Even if we receive breakthrough therapy designation, the receipt of such designation for a product candidate may not result in a faster development or regulatory review or approval process compared to drugs considered for approval under conventional FDA procedures and does not assure ultimate approval by the FDA. In addition, even if one or more of our product candidates qualify as breakthrough therapies, the FDA may later decide that the product candidates no longer meet the conditions for qualification or decide that the time period for FDA review or approval will not be shortened.

We may seek fast track designation for ALRN-6924 or one or more of our other product candidates, but we might not receive such designation, and even if we do, such designation may not actually lead to a faster development or regulatory review or approval process.

If a drug is intended for the treatment of a serious condition and nonclinical or clinical data demonstrate the potential to address unmet medical need for this condition, a drug sponsor may apply for FDA fast track designation. If we seek fast track designation for a product candidate, we may not receive it from the FDA. However, even if we receive fast track designation, fast track designation does not ensure that we will receive marketing approval or that approval will be granted within any particular timeframe. We may not experience a faster development or regulatory review or approval process with fast track designation compared to conventional FDA procedures. In addition, the FDA may withdraw fast track designation if it believes that the designation is no longer supported by data from our clinical development program. Fast track designation alone does not guarantee qualification for the FDA's priority review procedures.

We may seek priority review designation for ALRN-6924 or one or more of our other product candidates, but we might not receive such designation, and even if we do, such designation may not lead to a faster development or regulatory review or approval process.

If the FDA determines that a product candidate offers a treatment for a serious condition and, if approved, the product would provide a significant improvement in safety or effectiveness, the FDA may designate the product candidate for priority review. A priority review designation means that the goal for the FDA to review an application is six months, rather than the standard review period of ten months. We may request priority review for our product candidates. The FDA has broad discretion with respect to whether or not to grant priority review status to a product candidate, so even if we believe a particular product candidate is eligible for such designation or status, the FDA may decide not to grant it. Moreover, a priority review designation does not necessarily mean a faster development or regulatory review or approval process or necessarily confer any advantage with respect to approval compared to conventional FDA procedures. Receiving priority review from the FDA does not guarantee approval within the six-month review cycle or at all.

Our relationships with healthcare providers, physicians and third-party payors will be subject to applicable anti-kickback, fraud and abuse and other healthcare laws and regulations, which could expose us to penalties, including criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

Our relationships with healthcare providers, physicians and third-party payors will subject us to additional healthcare statutory and regulatory requirements and enforcement by the federal government and the states and foreign governments in which we conduct our business. Our future arrangements with healthcare providers, physicians and third-party payors and patients may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute our products for which we obtain marketing approval. Restrictions under applicable federal and state healthcare laws and regulations include the following:

- *Anti-Kickback Statute*—the federal anti-kickback statute prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing any remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order or recommendation or arranging of, any good, facility, item or service, for which payment may be made, in whole or in part, by a federal healthcare program, such as Medicare and Medicaid.
- *False Claims Act*—the federal civil and criminal false claims laws, including the civil False Claims Act, and civil monetary penalties laws, which prohibit individuals or entities from, among other things, knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false, fictitious or fraudulent or knowingly making, using or causing to made or used a false record or statement to avoid, decrease or conceal an obligation to pay money to the federal government;
- *HIPAA*—the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created additional federal criminal laws that prohibit, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- *HIPAA Privacy Provisions*—as amended by the Health Information Technology for Economic and Clinical Health Act, and their respective implementing regulations, including the Final Omnibus Rule published in January 2013, which impose obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information
- *Transparency Requirements*—the federal transparency requirements known as the federal Physician Payments Sunshine Act, under the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively the Affordable Care Act, which requires certain manufacturers of drugs, devices, biologics and medical supplies to report annually to the Centers for Medicare & Medicaid Services, or CMS, within the U.S. Department of Health and Human Services, information related to payments and other transfers of value made by that entity to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members;
- *Analogous State and Foreign Laws*—analogous state and foreign fraud and abuse laws and regulations, such as state anti-kickback and false claims laws, can apply to sales or marketing arrangements and claims involving healthcare items or services and are reimbursed by non-governmental third-party payors, including private insurers.

Some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government and require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures and pricing information. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, imprisonment, exclusion of drugs from government funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations. Although effective compliance programs can mitigate the risk of investigation and prosecution for violations of these laws, these risks cannot be entirely eliminated. Any action against us for an alleged or suspected violation could cause us to incur significant legal expenses and could divert our management's attention from the operation of our business, even if our defense is successful. If any of the physicians or other healthcare providers or entities with whom we expect to do business is found to be not in compliance with applicable laws, it may be costly to us in terms of money, time and resources, and they may be subject to criminal, civil or administrative sanctions, including exclusions from government-funded healthcare programs.

Our employees may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which could cause significant liability for us and harm our reputation.

We are exposed to the risk of employee fraud or other misconduct, including intentional failures to comply with FDA regulations or similar regulations of comparable foreign regulatory authorities, provide accurate information to the FDA or comparable foreign regulatory authorities, comply with manufacturing standards we may establish, comply with federal and state healthcare fraud and abuse laws and regulations and similar laws and regulations established and enforced by comparable foreign regulatory authorities, report financial information or data accurately or disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the healthcare 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, incentive programs and other business arrangements. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws, standards or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business and results of operations, including the imposition of significant fines or other sanctions.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on our business.

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations involve the use of hazardous and flammable materials, including chemicals and biological materials. Our operations also produce hazardous waste products. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties.

Although we maintain workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage or disposal of hazardous and flammable materials, including chemicals and biological materials.

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or commercialization efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Laws and regulations governing any international operations we may have in the future may preclude us from developing, manufacturing and selling certain product candidates outside of the United States and require us to develop and implement costly compliance programs.

If we expand our operations outside of the United States, we must comply with numerous laws and regulations in each jurisdiction in which we plan to operate. The creation and implementation of international business practices compliance programs is costly and such programs are difficult to enforce, particularly where reliance on third parties is required.

The Foreign Corrupt Practices Act, or FCPA, prohibits any U.S. individual or business from paying, offering, authorizing payment or offering of anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing any act or decision of the foreign entity in order to assist the individual or business in obtaining or retaining business. The FCPA also obligates companies whose securities are listed in the United States to comply with certain accounting provisions requiring the company to maintain books and records that accurately and fairly reflect all transactions of the corporation, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations. The anti-bribery provisions of the FCPA are enforced primarily by the DOJ. The Securities and Exchange Commission, or SEC, is involved with enforcement of the books and records provisions of the FCPA.

Compliance with the FCPA is expensive and difficult, particularly in countries in which corruption is a recognized problem. In addition, the FCPA presents particular challenges in the pharmaceutical industry, because, in many countries, hospitals are operated by the government, and doctors and other hospital employees are considered foreign officials. Certain payments to hospitals in connection with clinical trials and other work have been deemed to be improper payments to government officials and have led to FCPA enforcement actions.

Various laws, regulations and executive orders also restrict the use and dissemination outside of the United States, or the sharing with certain non-U.S. nationals, of information classified for national security purposes, as well as certain products and technical data relating to those products. If we expand our presence outside of the United States, it will require us to dedicate additional resources to comply with these laws, and these laws may preclude us from developing, manufacturing, or selling certain drugs and product candidates outside of the United States, which could limit our growth potential and increase our development costs.

The failure to comply with laws governing international business practices may result in substantial penalties, including suspension or debarment from government contracting. Violation of the FCPA can result in significant civil and criminal penalties. Indictment alone under the FCPA can lead to suspension of the right to do business with the U.S. government until the pending claims are resolved. Conviction of a violation of the FCPA can result in long-term disqualification as a government contractor. The termination of a government contract or relationship as a result of our failure to satisfy any of our obligations under laws governing international business practices would have a negative impact on our operations and harm our reputation and ability to procure government contracts. The SEC also may suspend or bar issuers from trading securities on U.S. exchanges for violations of the FCPA's accounting provisions.

Risks Related to Employee Matters and Managing Growth

Our future success depends on our ability to retain our Senior Vice President, Chief Medical Officer and other key executives, to hire a CEO, and to attract, retain and motivate qualified personnel.

We are highly dependent on Manuel Aivado, M.D., Ph.D., our Senior Vice President, Chief Medical Officer, as well as other principal members of our management and scientific teams. Our agreements with Dr. Aivado and other key employees do not prevent them from terminating their employment with us at any time. For instance, in May 2018, our former Chief Executive Officer terminated his employment with us. We do not maintain "key person" insurance for any of our executives or other employees. The loss of the services of Dr. Aivado or any other member of our management and scientific teams could impede the achievement of our research, development and commercialization objectives.

Recruiting and retaining a chief executive officer, as well as qualified scientific, clinical, manufacturing and sales and marketing personnel, is also critical to our success. John P. Longenecker, Ph.D. is currently serving as our Chief Executive Officer on an interim basis while we conduct our search for a new chief executive officer. We may not be able to attract and retain a new chief executive officer or these personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us.

We expect to expand our development and regulatory capabilities and potentially our sales and marketing capabilities, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

We expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of drug development, clinical operations, regulatory affairs and, potentially, sales and marketing. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources and the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The physical expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

Risks Related to Our Common Stock

Our executive officers and directors and entities associated or affiliated with our executive officers and directors may have the ability to significantly influence all matters submitted to stockholders for approval.

As of June 30, 2018, our executive officers and directors and entities associated and affiliated with our executive officers and directors, in the aggregate, beneficially own shares representing 20% of our outstanding common stock. As a result, if these stockholders were to choose to act together, they may have the ability to significantly influence all matters submitted to our stockholders for approval, as well as our management and affairs. For example, these persons, if they choose to act together, could significantly influence the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of our company on terms that other stockholders may desire.

Provisions in our corporate 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 certificate of incorporation and our bylaws may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for shares of common stock. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, 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. Among other things, these provisions:

- establish a classified board of directors such that not all members of the board are elected at one time;
- allow the authorized number of our directors to be changed only by resolution of our board of directors;
- limit the manner in which stockholders can remove directors from the board;
- establish advance notice requirements for stockholder proposals that can be acted on at stockholder meetings and nominations to our board of directors;
- require that stockholder actions must be effected at a duly called stockholder meeting and prohibit actions by our stockholders by written consent;
- limit who may call stockholder meetings;
- authorize our board of directors to issue preferred stock without stockholder approval, which could be used to institute a “poison pill” that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors; and
- require the approval of the holders of at least 75% of the votes that all our stockholders would be entitled to cast to amend or repeal certain provisions of our charter or bylaws.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

An active trading market for our common stock may not be sustained.

Our shares of common stock began trading on The Nasdaq Global Market June 29, 2017. Given the limited trading history of our common stock, there is a risk that an active trading market for our shares may not be sustained, which could put downward pressure on the market price of our common stock and thereby affect the ability of stockholders to sell their shares. An inactive trading market for our common stock may also impair our ability to raise capital to continue to fund our operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

If securities analysts do not publish research or reports about our business or if they publish negative evaluations of our stock, the price of our stock could decline.

The trading market for our common stock relies in part on the research and reports that industry or financial analysts publish about us or our business. If few analysts commence, or if analysts discontinue, coverage of us, the trading price of our stock would likely decrease. If one or more of the analysts covering our business downgrade their evaluations of our stock, the price of our stock could decline. If one or more of these analysts cease to cover our stock, we could lose visibility in the market for our stock, which in turn could cause our stock price to decline.

The price of our common stock is volatile and may fluctuate substantially, which could result in substantial losses for our stockholders.

Our stock price is volatile. During the period from June 28, 2017 to July 31, 2018, the closing price of our common stock ranged from a high of $14.91 per share to a low of $3.09 per share. The stock market in general and the market for pharmaceutical and 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, our stockholders may not be able to sell their shares at or above the price they paid for their shares. The market price for our common stock may be influenced by many factors, including:

- the timing and results of clinical trials of ALRN-6924 and any of our other product candidates;
- regulatory actions with respect to our product candidates or our competitors’ products and product candidates;

- the success of existing or new competitive products or technologies;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, collaborations or capital commitments;
- establishment or termination of collaborations for our product candidates or development programs;
- failure or discontinuation of any of our development programs;
- results of clinical trials of product candidates of our competitors;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;
- the level of expenses related to any of our product candidates or development programs;
- the results of our efforts to discover, develop, acquire or in-license additional product candidates or products;
- actual or anticipated changes in estimates as to financial results or development timelines;
- announcement or expectation of additional financing efforts;
- sales of our common stock by us, our insiders or other stockholders;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in estimates or recommendations by securities analysts, if any, that cover our stock;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors;
- general economic, industry and market conditions; and
- the other factors described in this “Risk Factors” section.

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 our resources, which could harm our business.

We are an “emerging growth company,” and the reduced disclosure requirements applicable to emerging growth companies may 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. We may remain an emerging growth company until December 31, 2022, or until such earlier time as we have more than $1.07 billion in annual revenue, the market value of our stock held by non-affiliates is more than $700 million or we issue more than $1 billion of non-convertible debt over a three-year period. For so long as we remain an emerging growth company, we are permitted and intend to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements, reduced disclosure obligations regarding executive compensation and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Investors may find our common stock less attractive as a result of our reliance 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 will incur increased costs as a result of operating as a public company, and our management is required to devote substantial time to new compliance initiatives.

As a public company, we incur, and particularly after we are no longer an “emerging growth company,” we will incur, significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002 and rules subsequently implemented by the SEC and Nasdaq have imposed various requirements on public companies, including establishment and

maintenance of effective disclosure and financial controls and corporate governance practices. We have had to hire additional accounting, finance, and other personnel in connection with our becoming a public company, and our efforts to comply with the requirements of being a public company, and our management and other personnel devote a substantial amount of time towards maintaining compliance with these requirements. These requirements increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

Pursuant to Section 404, we will be required to furnish a report by our management on our internal control over financial reporting, and after we are no longer an emerging growth company, we will be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we are engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. There is a risk that neither we nor our independent registered public accounting firm will be able to conclude within the prescribed timeframe that our internal control over financial reporting is effective as required by Section 404. This could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

We might not be able to utilize a significant portion of our net operating loss carryforwards and research and development tax credit carryforwards.

As of December 31, 2017, we had federal and state net operating loss carryforwards of $129.6 million and $125.8 million, respectively, which begin to expire in 2029 and 2030, respectively. As of December 31, 2017, we had federal and state research and development tax credit carryforwards of $2.0 million and $1.2 million, respectively, which begin to expire in 2025. These net operating loss and tax credit carryforwards could expire unused and be unavailable to offset future income tax liabilities. Under the newly enacted federal income tax law, federal net operating losses incurred in 2018 and in future years may be carried forward indefinitely, but the deductibility of such federal net operating losses is limited. It is uncertain how various states will respond to the newly enacted federal tax law.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, if a corporation undergoes an “ownership change,” which is generally defined as a greater than 50% change, by value, in its equity ownership over a three-year period, the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income may be limited. We have not conducted a study to assess whether we have experienced Section 382 ownership changes in the past and if a portion of our net operating loss and tax credit carryforwards are subject to an annual limitation under Section 382. In addition, we may experience ownership changes in the future as a result of subsequent shifts in our stock ownership, some of which may be outside of our control. If we determine that an ownership change has occurred at any time since our inception and our ability to use our historical net operating loss and tax credit carryforwards is materially limited, it would harm our future operating results by effectively increasing our future tax obligations.

Because we do not anticipate paying any cash dividends on our capital stock for the foreseeable future, capital appreciation, if any, of our common stock will be our stockholders’ sole source of gain.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be our stockholders’ sole source of gain for the foreseeable future.

A significant portion of our total outstanding shares may be sold into the market at any time, which could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. As of July 31, 2018, we had 14,737,402 shares of common stock outstanding. The holders of an aggregate of approximately 5,500,000 shares of our common stock have rights, subject to conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. We have registered all shares of common stock that we may issue under our equity compensation plans, including upon exercise of outstanding options. These shares can be freely sold in the public market upon issuance, subject to volume limitations applicable to affiliates.

Our certificate of incorporation designates the state courts in the State of Delaware or, if no state court located within the State of Delaware has jurisdiction, the federal court for the District of Delaware, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could discourage lawsuits against the company and our directors, officers and employees.

Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) will be the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or employees to our company or our stockholders, any action asserting a claim against us arising pursuant to any provision of the General Corporation Law of the State of Delaware or our certificate of incorporation or bylaws, or any action asserting a claim against us governed by the internal affairs doctrine. This exclusive forum provision may limit the ability of our stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with us or our directors, officers or employees, which may discourage such lawsuits against us and our directors, officers and employees.

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

Use of Proceeds from Initial Public Offering of Common Stock

On July 5, 2017, we closed our initial public offering of 3,750,000 shares of our common stock at a public offering price of $15.00 per share for an aggregate offering of $56.3 million. The offer and sale of all of the shares in the offering were registered under the Securities Act pursuant to registration statement on Form S-1 (File No. 333-218474), which was declared effective by the SEC on June 28, 2017. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Jefferies LLC acted as joint book-running managers for the offering and as representatives of the underwriters. William Blair & Company, L.L.C. and Canaccord Genuity Inc. acted as co-managers. The offering commenced on June 28, 2017 and did not terminate until the sale of all of the shares offered.

We received aggregate net proceeds from the offering of $50.0 million, after deducting underwriting discounts and commissions of $3.9 million and offering expenses of $2.3 million payable by us. None of the underwriting discounts and commissions or offering expenses were incurred or paid to directors or officers of ours or their associates or to persons owning 10% or more of our common stock or to any affiliates of ours.

As of June 30, 2018, we have used $14.2 million of the net proceeds from the IPO to fund ongoing clinical trials of ALRN-6924, including our Phase 1 All-comers trial. Phase 2a trial for the treatment of PTCL, Phase 1 trial for the treatment of AML/MDS as a monotherapy and Phase 1b trial for the treatment of AML/MDS in combination with Ara-C, and for working capital and other general corporate purposes. We have invested the net proceeds in a variety of capital preservation investments, including short-term, investment-grade, interest-bearing instruments. There has been no material change in our planned use of the net proceeds from the offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b)(4) on June 29, 2017.

Item 6. Exhibits.

The exhibits listed on the Exhibit Index immediately preceding such exhibits, which is incorporated herein by reference, are filed or furnished as part of this Quarterly Report on Form 10-Q.

Exhibit Number	Description
10.1	Lease Agreement, effective as of April 4, 2018, between the Registrant and 480 Arsenal Group LLC.
10.2	Separation and Release of Claims Agreement, dated as of May 15, 2018, between the Registrant and Joseph A. Yanchik III.
10.3	Employment Agreement, dated as of May 15, 2018, between the Registrant and John P. Longenecker.
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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

SIGNATURES

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

Aileron Therapeutics, Inc.

Date: August 7, 2018 By: /s/ John P. Longenecker

John P. Longenecker
President and Chief Executive Officer (principal executive officer)

Date: August 7, 2018 By: /s/ Donald V. Dougherty

Donald V. Dougherty
Chief Financial Officer (principal financial officer)

Exhibit 10.1

Execution Copy

LEASE

BY

480 ARSENAL GROUP LLC LANDLORD

TO

AILERON THERAPEUTICS, INC., TENANT

LINX Building
490 Arsenal Way
Watertown, Massachusetts 02472

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ARTICLE 1: BASIC TERMS

The following terms used in this Lease shall have the meanings set forth below. Other terms are defined throughout this Lease and indexed on Schedule 1 attached hereto and made a part hereof.

Date of Lease:	As of March 28, 2018
Landlord:	480 Arsenal Group LLC, a Massachusetts limited liability company
Original Address of Landlord:	c/o Boylston Properties 800 Boylston Street, Suite 1390 Boston, Massachusetts 02199 Attention: Mark A. Deschenes With copies to: Sherin and Lodgen, LLP 101 Federal Street Boston Massachusetts 02110 Attention: Peter Friedenberg, Esq.
Tenant:	Aileron Therapeutics, Inc., a Delaware corporation
Original Address of Tenant:	281 Albany Street Cambridge, Massachusetts 02139 Attention: Chief Financial Officer With copies to: Wilmer Cutler Pickering Hale and Dorr LLP 60 State Street Boston, MA 02109 Attention: Keith R. Barnett, Esq.
Guarantor:	N/A
Address of Property:	490 Arsenal Way Watertown, Massachusetts 02472

Building and Property:	The building known as and numbered 490 Arsenal Way, containing a total rentable area of approximately 185,015 rentable square feet ("**Building**"), in the City known as the Town of Watertown, Massachusetts, situated on a parcel of land described in Exhibit A attached hereto (the Building and such parcel of land, together with all other improvements now or hereafter located thereon, are collectively referred to as the ("**Property**")).
Premises:	A total rentable area of 18,609 rentable square feet on the second floor of the West Wing of the Building, as shown on Exhibit B attached hereto, as measured in accordance with the provisions of Section 2.01(e).
Tenant's Pro Rata Share:	10.06%. See Section 4.06.
Term Commencement Date:	The earliest of (a) the date upon which the Initial Tenant Work is "Substantially Complete" (as defined in the Work Letter), or (b) the date on which Tenant first occupies any portion of the Premises for the operation of its business therein, or (c) October 1, 2018.
Rent Commencement Date:	One (1) month after the Term Commencement Date.
Term:	
Initial Term:	The period commencing on the Term Commencement Date and expiring on the day ("**Term Expiration Date**") which is eight (8) years after the Rent Commencement Date.
Extension Term:	One (1) extension term of five (5) Lease Years. See Section 3.03(a).
Lease Year:	The first Lease Year begins at 12:01 a.m. on the Term Commencement Date and ends at 11:59 p.m. on the day before the first anniversary of the Rent Commencement Date (i.e., the first Lease Year may contain more than twelve (12) full calendar months). Each subsequent Lease Year ends at 11:59 p.m. twelve (12) months after the last day of the preceding Lease Year.
Permitted Uses:	General office, laboratory, research and development, and any other lawful use, all to the extent permitted under the Watertown Zoning Ordinance as in effect from time to time.
Landlord's Broker:	Cushman & Wakefield
Tenant's Broker:	Newmark Knight Frank
Security Deposit:	Five Hundred Sixty-Eight Thousand Four Hundred Twelve ($568,412.00), subject to reduction as provided in Article 14.
Parking Allotment:	Parking spaces at a ratio of 2.9 parking spaces per 1,000 rentable square feet in the Premises (54 parking spaces for the Premises). See Section 2.01(f).

Base Rent:

Initial Term: The following amounts:

Period	Annual Base Rent Rate per Rentable Square Foot	Monthly Base Rent Amount	Annual Base Rent Amount	Rent Commencement Date - expiration of Lease Year 1
$53.00	$82,189.75	$986,277.00	Lease Year 2	
$54.59	$84,655.44	$1,015,865.31	Lease Year 3	
$56.23	$87,198.67	$1,046,384.07	Lease Year 4	
$57.92	$89,819.44	$1,077,833.28	Lease Year 5	
$59.66	$92,517.75	$1,110,212.94	Lease Year 6	
$61.45	$95,293.59	$1,143,523.05	Lease Year 7	
$63.29	$98,146.97	$1,177,763.61	Lease Year 8	
$65.19	$101,093.39	$1,213,120.71		

Extension Term: Fair Market Rent (as defined in Section 3.03(b).

Initial Tenant Work: As set forth in Exhibit C attached hereto.

Base Building Work: As set forth in Exhibit C attached hereto.

Exhibits:

Schedule 1:Index of Defined Terms
Exhibit A (Art 1):The Property
Exhibit B (Art. 1):Building Floor Plan showing the Premises
Exhibit C (Sec. 3.01):Work Letter
Exhibit C-1 (Sec. 2.01(e)):List of Base Building Plans and Specifications
Exhibit C-2:Intentionally deleted
Exhibit C-3:Lab Shell Specifications Tenant Landlord Matrix of Responsibility
Exhibit D (Sec. 10.06):Removable Tenant Equipment
Exhibit E (Sec. 6.02):Cleaning Specification for Common Areas and Landlord Services
Exhibit F (Sec. 6.02):Shuttle Service
Exhibit G (Sec. 9.07):Rules and Regulations
Exhibit H (Sec. 10.05(b)):Construction Documents Requirements
Exhibit I (Sec. 10.05(c)):Tenant Work Insurance Schedule
Exhibit J (Sec. 15.01):Form of SNDA
Exhibit K (Sec. 15.04):Form of Estoppel Certificate
Exhibit L (Sec. 16.06):Form of Notice of Lease
Exhibit M (Art. 14):Form of Letter of Credit

ARTICLE 2: PREMISES, APPURTENANT RIGHTS AND PARKING

2.01.Lease of Premises; Appurtenant Rights.

(a)General. Subject to the terms of this Lease, Landlord hereby leases the Premises to Tenant, and Tenant hereby leases the Premises from Landlord, for the Term. Subject to Force Majeure, Landlord's Rules and Regulations and the provisions of this Lease, Tenant shall have access to the Premises, the parking areas serving the Premises, and the common areas of the Building and the Property necessary for Tenant's use of, or access to and egress from, the Premises 24 hours a day, 7 days a week; *provided, however,* that in times of emergency as determined by Landlord, Landlord shall have the right to temporarily limit access to the Building by Tenant and all other tenants, provided that any such limits on access shall cease as soon as the emergency is resolved and Landlord shall use commercially reasonable efforts to limit interference with Tenant's business in connection with any exercise of its rights hereunder. For purposes of this Lease, an "**emergency**" shall mean an event, such as a natural disaster, fire or act of terrorism, not within the reasonable control of either party hereto, that poses an immediate threat to life or the Property.

(b)Exclusions. The Premises exclude the perimeter walls thereof (other than the inner surfaces thereof), as well as all common areas and facilities of the Property, including the common stairways and stairwells, entranceways and the main lobby, elevators and elevator lobbies, fan rooms, roofs, on-floor and off-floor electric and telephone closets, freight elevators, loading areas, and pipes, ducts, conduits, wires and appurtenant fixtures serving other parts of the Property (exclusively or in common with other tenants of the Building) and other common areas and facilities from time to time designated as such by Landlord. If the Premises includes less than the entire rentable area of any floor, then the Premises also exclude the common corridors, elevator lobby, and toilets (with the exception of those restrooms located entirely within the Premises and for the exclusive use of Tenant) located on such floor, as well as common on-floor electric, telephone and janitor closets located on such floor.

(c)Appurtenant Rights. Tenant shall have, as appurtenant to the Premises, the right to use in common with others, and subject to Landlord's Rules and Regulations: (a) the common areas and facilities of the Building, including the common loading docks, lobbies, hallways, stairways and passenger, freight and service elevators of the Building serving the Premises in common with other portions of the Building, the bike repair and storage room on the first floor of the Building, showers and lockers located on the first floor of the Building and other Building amenities, (b) dumpster for trash and refuse generated by Tenant's operations at the Premises which does not contain Hazardous Materials or otherwise require special handling in accordance with applicable Legal Requirements, (c) the common sidewalks, walkways and roadways necessary for access to the Building, (d) if the Premises include less than the entire rentable area

of any floor, the common toilets and other common facilities of such floor; (e) wireless internet access provided in the common areas of the Building, (f) the risers, conduits and roof areas of the Building for Tenant's business, telecommunications and computer needs, which roof areas are subject to Sections 9.11 and 9.12; (g) locker rooms with showers and changing areas; and (h) an indoor bike storage and repair center. All costs, charges and expenses associated with the commencement of the provision by a particular utility service provider or telecommunications service provider of service to Tenant or to the Premises at the request of Tenant (e.g., installation charges, service deposits) shall be the sole responsibility of Tenant.

(d)Reservations. In addition to other rights reserved herein or by law, Landlord reserves the right from time to time, without incurring any liability to Tenant or otherwise affecting Tenant's obligations under this Lease, provided that Landlord shall provide at least forty-eight (48) hours prior notice to Tenant (except in the case of an emergency, in which case notice shall be provided as soon as reasonably practicable) and shall use commercially reasonable efforts to avoid (except in emergency) unreasonable interruption of Tenant's use and access to the Premises: (i) to make additions, alterations, improvements, repairs or replacements to the Building, including all common areas and facilities located therein; (ii) to install, use, maintain, repair, replace and relocate for service to the Premises and other parts of the Building, or either, chases, shafts, pipes, ducts, conduits, wires and appurtenant fixtures wherever located in the Premises, the Building or elsewhere in the Property; (iii) to alter, eliminate or relocate any common area or facility, including the lobbies and entrances; and (iv) to grant easements and other rights with respect to the Property; *provided that* (a) to the maximum extent practicable, no such installations, replacements or relocations in the Premises shall be placed below ceiling surfaces, above floor surfaces or to the inside of perimeter walls, (b) Tenant's use of and access to the Premises, the common areas and its parking spaces shall not be materially adversely impacted by any such additions, alterations, improvements, repairs, installations, replacements or relocations, and (c) all such work necessitating entry into the Premises shall be subject to the provisions of Section 9.06.

This Lease, and Tenant's leasehold interest in the Premises, are subject to all rights, agreements, easements, restrictions and other matters of record and all agreements applicable to the Property which have been executed as of the Date of Lease and which have been, prior to the Date of Lease, either provided to Tenant or recorded with the Middlesex South Registry of Deeds; and all permits and approvals for the construction and/or use of the Building.

(e)Measurement. The total rentable area of the Premises set forth in Article 1 has been determined by (i) measuring the usable area of the same based on the proposed location of the demising walls of the Premises as shown on Exhibit B attached hereto, using the modified BOMA International Standard Method of Measurement for Office Buildings (ANSI/BOMA Z65.1-2010) (the "**Measurement Standard**") and (ii) applying an add-on factor of 19% thereto.

To the extent to which Landlord, in the exercise of its reserved rights pursuant to Section 2.01(d), constructs or installs any chase, shaft or similar enclosures within the Premises for the exclusive use of other tenants (any such construction or installation being subject to this Section 2.01), or grants to Tenant exclusive rights to use any portion of the Building situated outside the boundaries of the Premises, such areas shall be excluded or included in the Premises (as the case may be) and Landlord shall cause its architect to measure such areas and either add them or subtract

them (in each case together with an 19% add-on factor) to or from the total rentable area of the Premises as otherwise determined in accordance with the provisions of this Lease.

If the rentable area changes on account of the provisions of this Section 2.01(e), Landlord and Tenant shall then enter into an amendment to this Lease confirming any such change in the rentable area, as well as any changes to the boundaries of the Premises, and proportional changes in the Base Rent and any other charges or rights under this Lease that are based upon the rentable square footage in question.

(f)Parking.

(i)During the Term, Tenant shall have the appurtenant right to use, at no additional charge, the total number of parking spaces (such amount, the "**Parking Allotment**") set forth in Article 1 in the garage (the "**Parking Garage**") and/or surface parking areas (collectively, with the Parking Garage, the "**Parking Facilities**") serving the Building, in common with all persons now or hereafter entitled to use the same. These parking spaces shall be used only by Tenant and Tenant's employees and business invitees for the parking of passenger vehicles only. At no time may Tenant use more parking spaces in the Parking Facilities than the Parking Allotment.

(ii)Use of the parking spaces in the Parking Facilities shall be on a non-exclusive, non-reserved basis. The provisions of this Lease, including Landlord's Rules and Regulations, shall apply to the Parking Facilities and Tenant's use thereof. Landlord shall have the right to alter the Parking Garage or any other portion of the Parking Facilities, or the operation thereof, from time to time, and to temporarily close portions thereof for maintenance, repair or improvement, as necessary; *provided*, *however*, that (i) Landlord shall provide at least two weeks' prior notice (except in the case of an emergency, in which event notice shall be provided as soon as reasonably practicable) to Tenant of any such closure, and (ii) Landlord shall use reasonable efforts to minimize interference with Tenant's use and access to the Premises or the other portions of the Parking Facilities during any such closure and shall prosecute such work diligently to completion.

(iii)None of Tenant's rights under this Section may be assigned, subleased or otherwise transferred except in connection with a Transfer or Related Party Transfer effected in accordance with the provisions of Article 12 below. Neither Landlord nor any operator of the Parking Facilities shall be responsible for any loss or damage due to fire or theft or otherwise to any automobile parked in the Parking Facilities or to any personal property therein.

(iv)Tenant acknowledges receipt of copies of (i) that certain License Agreement dated as of April 7, 2017 by and between Landlord and the Armenian Cultural and Educational Center, Inc. pursuant to which the owner of the property at 47 Nichols Avenue, Watertown, Massachusetts has the right to use a portion of the parking spaces in the Parking Facilities on Monday through Friday between the hours of 6:00 p.m. and midnight, on Saturday between the hours of 8:00 a.m. and 2:00 a.m. (Sunday morning), and on Sunday between the hours of 8:00 am and midnight, to which this Lease is subject, and (ii) that certain License Agreement dated May 2016 by and between Landlord and the Commonwealth of Massachusetts, acting by and through the Department of Conservation and Recreation, concerning the land owned by the Commonwealth adjacent to the Property (collectively, the "**Agreements**").

ARTICLE 3: LEASE TERM

3.01.Lease Term; Construction. The Initial Term of this Lease is set forth in Article 1. To the extent to which construction of the Base Building Work has not been completed as of the Date of Lease, Landlord shall complete the same (other than those items identified on Exhibit C-3 to the Work Letter as "LL Post-Delivery Items") prior to Tenant's commencement of construction of the Initial Tenant Work such that Tenant can commence construction of the Initial Tenant Work immediately upon satisfaction of the conditions precedent thereto set forth in Paragraph 3 of the Work Letter. All Base Building Work shall be performed at Landlord's sole cost and expense, and in no event shall any of the costs of the Base Building Work be included in Operating Expenses. The Premises shall be completed (including the construction of the Initial Tenant Work) as provided in the Work Letter (the "**Work Letter**") attached hereto as Exhibit C.

3.02.Hold Over. If Tenant (or anyone claiming by, through or under Tenant) shall remain in occupancy of the Premises or any part thereof after the expiration of the Term or the earlier termination of this Lease without a written agreement therefor executed and delivered by Landlord, then without limiting Landlord's other rights and remedies the person remaining in possession shall be deemed a tenant at sufferance, and Tenant shall thereafter pay a monthly use and occupancy charge (pro-rated for such portion of any partial month as Tenant (or anyone claiming by, through or under Tenant) shall remain in possession) at a rate equal to the greater of (a) the Fair Market Rent for the Premises (which, notwithstanding anything to the contrary contained in this Lease, shall be deemed the rent then being quoted by Landlord for the Premises (or any portion thereof) or comparable space in the Building, if the Premises (or any portion thereof) or any such space is then being marketed by Landlord), or (b) one hundred and fifty percent (150%) of the monthly amount payable as Base Rent for the 12-month period immediately preceding such expiration or termination, and in either case with all Additional Rent also payable as provided in this Lease. No acceptance by Landlord of any payment by Tenant pursuant to this Section shall constitute Tenant (or anyone claiming by, through or under Tenant) as a tenant at will, but Tenant or such other person or entity shall remain a tenant at sufferance subject to all of the provisions of this Lease. If Landlord desires to regain possession of the Premises at any time Tenant (or anyone claiming by, through or under Tenant) is holding over, Landlord may, at its option, forthwith re-enter and take possession of the Premises or any part thereof by any lawful means. In any case, and notwithstanding the provisions of Section 16.10(b) to the contrary, Tenant shall be liable to Landlord for all claims, liabilities, damages, losses or costs (including reasonable attorneys' fees and costs) resulting from any failure by Tenant (or anyone claiming by, through or under Tenant) to vacate the Premises or any portion thereof when required hereunder, and shall hold Landlord, its agents and employees, harmless and defend and indemnify Landlord, its agents and employees, from and against any and all claims, liabilities, damages, losses or costs (including reasonable attorneys' fees and costs) which Landlord may pay, incur or suffer on account of any such hold-over in the Premises after the expiration of the Term or the earlier termination of this Lease.

3.03.Right to Extend.

(a)Extension Term. Provided that, as of both the time Tenant gives the Extension Notice (as defined below) and the first day of the Extension Term, (i) Tenant is not in default hereunder beyond all applicable notice and grace periods (if any), and (ii) the Tenant named in

Article 1 above (or a Related Party Transferee or a Transferee pursuant to a Transfer to which Landlord's consent was given under Article 12 below) is then occupying at least fifty percent (50%) of the Premises for the conduct of the Permitted Uses, then Tenant may extend the Term of this Lease for the Extension Term stated in Article 1 by giving unconditional written notice (an "**Extension Notice**") to Landlord of Tenant's election to extend the Term at least twelve (12) months but not more than twenty-four (24) months before the end of the Initial Term, time being of the essence. The Extension Notice shall be sufficient to extend the Term for the Extension Term, subject to all of the terms of this Lease except for the change in Base Rent as set forth below, and no additional writing or further action by the parties shall be required for such purpose (but upon the request of either party, the parties shall promptly execute and deliver an amendment to this Lease reflecting such extension of the Term). If Tenant fails to give the Extension Notice in strict accordance with the provisions of this Section 3.03(a), Tenant shall be deemed to have waived all rights to extend the Term of this Lease. All references in this Lease (A) to the "Term" shall mean the Initial Term as it may be extended by the Extension Term in accordance with the provisions of this Section 3.03, and (B) to the "Term Expiration Date" shall mean the last day of the Initial Term or, if Tenant extends the Term in accordance with the provisions of this Section 3.03, the last day of the Extension Term.

(b)Extension Term Base Rent. Base Rent for each Lease Year of the Extension Term(s) shall be the Fair Market Rent of the Premises (as defined below); *provided, however,* that Base Rent for any Lease Year in the Extension Term shall never be less than the Base Rent for the last Lease Year of the Initial Term. Fair market rent of the Premises (the "**Fair Market Rent**") for the Extension Term shall be based upon leases or agreements to lease then being negotiated or executed with respect to comparable buildings with walkable urban amenities in Watertown, West Cambridge/Alewife section of Cambridge and Allston/Brighton). In determining Fair Market Rent, all relevant factors shall be taken into account, including size, location and condition of premises, lease term (including renewal options), tenant's obligations with respect to operating expenses and taxes, tenant improvement allowances, other inducements then being offered by landlords, condition of building, and services and amenities provided by the landlord. Fair Market Rent shall include provisions for increases or other adjustments during the Extension Term for which such determination is being made.

(c)Determination of Fair Market Rent. Fair Market Rent shall be determined as follows: Landlord shall give Tenant written notice ("**Landlord's Fair Market Rent Notice**") of Landlord's determination of Fair Market Rent for the Extension Term within thirty (30) days of Tenant's giving to Landlord the Tenant's Extension Notice. Tenant shall thereafter notify Landlord within thirty (30) days of Landlord's giving to Tenant Landlord's Fair Market Rent Notice of its agreement with or objection to Landlord's determination of the Fair Market Rent, whereupon in the case of Tenant's objection, Fair Market Rent shall be determined by arbitration conducted in the manner set forth below. If Tenant does not notify Landlord within such 30-day period of Tenant's agreement with or objection to Landlord's determination of the Fair Market Rent, then the Fair Market Rent for the Extension Term shall be deemed to be Landlord's determination of the Fair Market Rent as set forth in Landlord's Fair Market Rent Notice to Tenant. If Tenant does notify Landlord within such 30-day period of Tenant's objection to Landlord's determination of the Fair Market Rent, then within ten (10) days of Tenant's giving such notice of objection to Landlord, each of Tenant and Landlord shall choose an MAI real estate appraiser or commercial real estate broker with at least ten (10) years of professional experience dealing with

properties similar to the Property in the vicinity of the Property (each a "**Real Estate Professional**") and notify the other party of the person so selected. The Real Estate Professionals so selected shall each determine and promptly report (in no event later than the thirtieth (30th) day following the giving of the notice of appointment of the second Real Estate Professional) to both Landlord and Tenant in writing his or her determination of the Fair Market Rent. If the higher of the Fair Market Rents reported by the two Real Estate Professionals is no more than ten (10%) percent more than the lower rate, then the Fair Market Rent will be an average of such amounts. However, if the higher amount is more than one hundred ten (110%) percent of the lower amount, then within ten (10) days after receipt of both reports, Landlord and Tenant will jointly appoint a third Real Estate Professional meeting the aforesaid criteria and who does not have and has not had, within five (5) years prior to such appointment, a business relationship with either Landlord or Tenant or any of their respective affiliates, and the third Real Estate Professional will determine the Fair Market Rent by selecting either the Fair Market Rent determination of Landlord's Real Estate Professional or the Fair Market Rent determination of Tenant's Real Estate Professional according to whichever of the two valuations as set forth in the reports from Landlord's Real Estate Professional or Tenant's Real Estate Professional, respectively, is closer to the actual Fair Market Rent in the opinion of such third Real Estate Professional. The third Real Estate Professional shall have no discretion other than to select one of the determinations of Fair Market Rent made by the first two Real Estate Professionals as aforesaid. Landlord and Tenant shall each pay the Real Estate Professional that it appoints, and shall share equally the cost of the third Real Estate Professional.

(d)Rent Continuation. For any part of the Term for which the amount of Base Rent has not finally been determined, Tenant shall make payment on account of Base Rent at the rate last paid under this Lease, and the parties shall adjust for any overpayments or underpayments upon the final determination of Fair Market Rent. The failure by the parties to complete the processes contemplated under this Section 3.03 prior to the commencement of the Extension Term shall not affect the continuation of the Term or the parties' obligation to make any adjustments for any overpayments or underpayments for the Base Rent due for the applicable period promptly after the determination thereof is made.

ARTICLE 4: RENT

4.01.Base Rent. Commencing on the Rent Commencement Date and continuing thereafter on the first day of each month during the Term, Tenant shall pay Landlord Base Rent in equal monthly installments, in advance, without notice or demand. Base Rent for partial calendar months in which the Rent Commencement Date occurs, or in which the Term of this Lease expires or is earlier terminated, shall be pro-rated.

4.02.Additional Rent

(a)General. "**Rent**" means, collectively, Base Rent and all other amounts payable by Tenant under this Lease other than Base Rent, including Tenant's Pro Rata Share of Taxes (Article 5) and Operating Expenses (Article 7), and Tenant's utility charges (Article 6), regardless of whether or not such amount is expressly described as "Additional Rent" in this Lease (collectively, "**Additional Rent**"). Landlord shall reasonably estimate in advance (i) all Taxes under Article 5 and (ii) all Operating Expenses under Article 7 (the items in clauses (i) and (ii), collectively, being

"**Operating Costs**") and Tenant shall pay one-twelfth (1/12th) of Tenant's Pro Rata Share of such reasonably estimated Operating Costs monthly in advance, commencing on the Rent Commencement Date and continuing thereafter on the first day of each month during the Term, without notice or demand. Additional Rent for partial calendar months in which the Rent Commencement Date occurs, or in which the Term of this Lease expires or is earlier terminated, shall be pro-rated. Landlord may reasonably adjust its estimates of Operating Costs at any time based upon its experience and reasonable anticipation of costs, provided that such adjustment shall be made no more frequently than quarterly. Such adjustments shall be effective as of the next Rent payment date occurring at least fifteen (15) days after notice to Tenant. Within one hundred eighty (180) days after the end of each calendar year (or portion thereof) included within the Term, Landlord shall give Tenant a reasonably detailed statement (an "**Annual Operating Statement**") of the Operating Costs paid or incurred by Landlord during the preceding calendar year (pro-rated for partial calendar years included within the Term) and Tenant's Pro Rata Share of such expenses; *provided, however,* that Landlord may bill Tenant for any items omitted or underbilled with respect to the calendar year in question for a period of time not to exceed one (1) year after delivering to Tenant the initial Annual Operating Statement for such calendar year. Within thirty (30) days after Landlord's delivery of an Annual Operating Statement to Tenant, Tenant shall pay to Landlord any underpayment, or Landlord shall credit Tenant with any overpayment (which credit shall be applied to any Rent due under this Lease next coming due after the delivery of the Annual Operating Statement (or if the Term has ended and Tenant has no outstanding unpaid obligation to Landlord, Landlord shall pay Tenant the amount of any overpayment as provided below)), of Tenant's Pro Rata Share of such Operating Costs.

If Tenant wishes to dispute the determination of the Operating Costs charged to Tenant under this Lease, Tenant may do so provided (i) Tenant shall give Landlord written notice of such dispute within one hundred twenty (120) days after its receipt of the Annual Operating Statement being disputed and (ii) Tenant shall pay any overpayment due based on the Annual Operating Statement as provided in the foregoing paragraph, pending resolution of the dispute. If Landlord provides a revised Annual Operating Statement within the one-year period described in the preceding grammatical paragraph in response to a previously omitted or underbilled item of Operating Costs, Tenant shall have the same 120-day period from its receipt of such revised Annual Operating Statement within which to give Landlord written notice that it disputes one or more of the revised items contained in such revised Annual Operating Statement (which shall be the only items then subject to dispute by Tenant). Promptly after the giving of such notice in either such case, Landlord shall allow Tenant's representatives to examine and audit in Landlord's offices (or the office of its managing agent) in the greater Boston area, Landlord's books and records with respect to the subject matter of the dispute, which review or audit shall be completed within ninety (90) days after Tenant is first given access to such records for such examination. Tenant agrees that the party selected by Tenant to perform such review or audit shall be compensated on the basis of hourly fees and not on a contingency or percentage basis. Tenant agrees to keep the results of any such review or audit conducted by Tenant confidential except for disclosures to its employees, attorneys, consultants, accountants, directors, officers, advisors and owners and except to the extent required to enforce Tenant's rights hereunder. The cost of such audit shall be borne by Tenant; provided, *however,* in the event it is finally determined (by mutual agreement or other resolution of such dispute) that Tenant was overcharged by more than five percent (5%) for the immediately preceding calendar year, then, in such event, Landlord shall pay for Tenant's reasonable out-of-pocket costs and expenses for the audit. If it is finally determined

(by mutual agreement or other resolution of such dispute) that Landlord's determination of any of the Operating Cost is (i) overstated, or (ii) understated, then in the case of (i) Landlord shall credit the difference against monthly installments of Rent next thereafter coming due (or refund the difference within thirty (30) days after such determination if the Term has ended and Tenant has no further obligation to Landlord), or in the case of (ii) Tenant shall pay to Landlord the amount of such excess as Additional Rent within thirty (30) days after invoice from Landlord. Landlord's obligation under this Paragraph shall survive the expiration of the Term or the earlier termination of this Lease.

If the Term expires or the Lease is terminated as of a date other than the last day of a calendar year, Tenant's payment of Additional Rent pursuant to this Section for such partial calendar year shall be based on Landlord's good faith estimate of the items otherwise includable in Operating Costs and shall be made on or before the later of (a) fifteen (15) Business Days after Landlord delivers such estimate to Tenant or (b) in the case of the expiration of the Term, the last day of the Term, and in either case with an appropriate payment or refund to be made upon Tenant's later receipt of Landlord's Annual Operating Statement for such calendar year. This Section shall survive the expiration of the Term or the earlier termination of this Lease.

This Lease requires Tenant to pay directly to suppliers, vendors, carriers, contractors, and other parties certain utility costs, personal property taxes, maintenance and repair costs and other expenses. If Tenant fails to make any such payments when due and Landlord thereafter receives notice of such failure on the part of Tenant, Landlord shall have the right (but no obligation) to do so on its behalf, after giving Tenant fifteen (15) days' notice of Landlord's intention to do so, and if Landlord so pays any of these amounts in accordance with this Lease, Tenant shall reimburse such costs in full, together with interest thereon at the Default Rate, to Landlord, as Additional Rent, within ten (10) Business Days of demand.

(b)Allocation of Certain Operating Costs. If at any time during the Term, Landlord provides services ("**Limited Landlord Services**") only with respect to particular portions of the Building or Property, or incurs any other Operating Costs allocable to particular portions of the Building or Property, then: (i) such Operating Costs shall be charged entirely to those tenants, including Tenant, if applicable, of such portions, and the amounts so charged to such particular tenant or tenants shall be excluded from Operating Costs otherwise charged under Section 4.06(A), and (ii) Tenant's Pro Rata Share for any such Limited Landlord Services shall be as defined in Section 4.06(B). If, during any period for which Landlord's Operating Costs are being computed, less than ninety-five (95%) percent of the rentable area of the Building was leased and occupied by tenants: (x) Operating Costs that are allocable to the entire Building or the portion thereof in question and which vary by level of occupancy shall be reasonably estimated and extrapolated by Landlord to determine the Operating Costs that would have been incurred if the Building or such portion in question were ninety-five (95%) leased and occupied by tenants for such year and such services were being supplied to all tenants, and such estimated and extrapolated amount shall be deemed to be the Operating Costs for such period, and (y) Tenant's Pro Rata Share with respect to such Operating Costs shall be as defined in Section 4.06(A) or (B) as applicable; *provided, however,* that Landlord shall not collect from Tenant and other tenants in the Building in the aggregate more than one hundred percent of Taxes and such Operating Costs actually incurred by Landlord.

4.03.Late Charge. Tenant acknowledges that if it pays Rent late, Landlord will incur unanticipated costs which will be extremely difficult to ascertain exactly. Such costs include processing and accounting charges, and late charges that may be imposed on Landlord under a mortgage on the Property. Accordingly, if Landlord does not receive any such payment within five (5) days following its due date, Tenant shall pay Landlord a late charge equal to five (5%) percent of the overdue amount as an administrative charge. The parties agree that this late charge represents a fair and reasonable estimate of the costs Landlord shall incur by reason of Tenant's payment default. Payment of the late charge shall not cure Tenant's payment default or prevent Landlord from exercising any other rights and remedies.

4.04.Interest. Any late Rent payment shall bear interest from the date due (without regard to the 5-day grace period provided in Section 4.03) until paid at a rate equal to the Prime Rate plus 4% per annum (the "**Default Rate**"), except to the extent such interest would cause the total interest to be in excess of that legally permitted (and then interest will be at the maximum rate legally permitted). The "**Prime Rate**" shall mean the prime lending rate per annum published in The Wall Street Journal from time to time, and the Default Rate shall be adjusted effective upon each change in the Prime Rate. Payment of interest shall not cure Tenant's payment default or prevent Landlord from exercising any other rights and remedies.

4.05.Method of Payment. Tenant shall make a pro rata payment of Base Rent and Additional Rent for any period of less than a month at the beginning or end of the Term. All payments of Base Rent, Additional Rent and other sums due shall be paid in current U.S. exchange by check drawn on a Boston clearinghouse bank to the Original Address of Landlord or such other place as Landlord may from time to time direct (or if requested by Landlord in the case of Base Rent, by electronic fund transfer) without demand (except to the extent notice or demand is expressly required herein), abatement (except to the extent expressly provided herein), set-off or other deduction.

Without limiting the foregoing, except as expressly otherwise set forth in this Lease, Tenant's obligation so to pay Rent 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 any casualty or taking or any failure by Landlord to perform or other occurrence.

It is intended that Base Rent payable hereunder shall be a net return to Landlord throughout the Term, free of expense, charge, offset, diminution or other deduction whatsoever on account of the Premises (excepting Landlord's financing expenses, federal and state income taxes of general application, and those expenses that this Lease expressly makes the responsibility of Landlord and excepting any expense or charge incurred as a result of Landlord's acts or omissions, and except as otherwise expressly provided herein with respect to abatement or set-off), and all provisions hereof shall be construed in terms of such intent.

4.06.Tenant's Pro Rata Share. The term "**Tenant's Pro Rata Share**" shall have different definitions depending upon the circumstances in which such term is used.

(A) Entire Building. With respect to any Operating Costs and benefits that are allocable to the entire Building and with respect to Tenant's Parking Allotment, Tenant's Pro

Rata Share shall be defined as a fraction, the numerator of which is the total rentable area of the Premises, and the denominator of which is the total rentable area of the Building, as of the date of the computation. As of the date hereof, the parties agree that the total rentable area of the Building is 185,015 square feet, and that Tenant's Pro Rata Share is 10.06% (subject to adjustment as provided in Section 2.01(e) above).

(B) Costs that are only incurred for portions of the Building. With respect to any Operating Costs and benefits that are allocable to only a portion of the Building which includes the Premises, Tenant's Pro Rata Share shall be defined as a fraction, the numerator of which is the total rentable area of the Premises, and the denominator of which is equal to the sum of the rentable square foot area of (i) the Premises and (ii) all other premises to which such cost is allocable. All measurements shall be determined in accordance with the measurement methodology set forth in Section 2.01(e).

Tenant's Pro Rata Share with respect to the entire Building is initially as set forth in Article 1 and Tenant's Pro Rata Share is subject to adjustment only if the total rentable area of the Premises changes on account of any amendment to the Lease as may be set forth in such amendment, or if the Building changes on account of any reconstruction after a casualty event, expansion or contraction thereof.

ARTICLE 5: TAXES

5.01.Taxes. Commencing as of the Rent Commencement Date and continuing thereafter throughout the Term of the Lease, Tenant covenants and agrees to pay to Landlord as Additional Rent, Tenant's Pro Rata Share of Taxes for each fiscal tax period, or ratable portion thereof, included in the Term. If Landlord receives a refund of any such Taxes, Landlord shall pay to Tenant Tenant's Pro Rata Share of the refund after deducting Landlord's reasonable costs and expenses incurred in obtaining the refund, to the extent such costs and expenses were not previously included in, and actually paid as, Taxes pursuant to Section 5.02 below. Tenant shall make estimated payments on account of Taxes in monthly installments as provided in Section 4.012(a), in amounts estimated from time to time by Landlord pursuant to Section 4.02(a).

5.02.Definition of "Taxes". "**Taxes**" shall mean all taxes, assessments, betterments, excises, user fees imposed by governmental authorities, and all other governmental charges and fees of any kind or nature, or impositions or agreed payments in lieu thereof, or voluntary payments made in connection with the provision of governmental services or improvements of benefit to the Building or the Property or any portion of either (including any so-called linkage, impact or voluntary betterment payments), assessed or imposed by governmental authorities against the Premises, the Building or the Property or any portion of either (including any personal property taxes levied on such property or on fixtures or equipment owned by Landlord and used in connection therewith). Furthermore, notwithstanding anything to the contrary herein, Taxes shall exclude (a) any interest and/or penalties for late payments to the extent relating to a period in which Tenant was not in default (beyond any applicable notice and cure periods) of its obligations to pay Tenant's Pro Rata Share of Operating Costs, and (b) federal, state or local income or profit taxes, franchise, rental, capital, inheritance, estate, conveyance, transfer, gift, or corporate excise taxes

or levies. The amount of any special taxes, special assessments, and agreed or governmentally imposed "in lieu of tax" or similar charges, shall be included in Taxes for any year but shall be limited to the amount of the installment (plus any interest, other than penalty interest, payable thereon) of such special tax, special assessment or such charge required to be paid during or with respect to the year in question. Landlord agrees that if any special taxes, special assessments, and agreed or governmentally imposed "in lieu of tax" or similar charges shall be levied against the Building, to elect to pay such assessment over the longest period of time permitted by law or applicable agreement with the governmental authority. Betterments and assessments, whether or not paid in installments, shall be included in Taxes in any tax year as if the betterment or assessment were paid in installments over the longest period permitted by law, together with the interest thereon charged by the assessing authority for the payment of such betterment or assessment in installments.

Notwithstanding the foregoing, if during the Term the present system of ad valorem taxation of property shall be changed so that, in lieu of or in addition to the whole or any part of such ad valorem tax there shall be assessed, levied or imposed on the Premises, the Building or the Property or any portion of either, or on Landlord, any kind or nature of federal, state, county, municipal or other governmental capital levy, income, sales, franchise, excise or similar tax, assessment, charge or fee (as distinct from the federal and state income tax in effect on the Date of Lease) measured by or based in whole or in part upon Building valuation, mortgage valuation, rents, services or any other incidents, benefits or measures of real property or real property operations, then any and all of such taxes, assessments, levies, charges and fees shall be included within the term "Taxes", but only to the extent that the same would be payable if the Property were the only property of Landlord. Taxes shall also include expenses, including reasonable fees of attorneys, appraisers and other consultants, incurred in connection with any efforts to obtain abatements or reduction of Taxes for any year wholly or partially included in the Term, whether or not successful and whether or not such efforts involved filing of actual abatement applications or initiation of formal proceedings.

5.03.Personal Property Taxes. Tenant shall pay directly all taxes (if any) charged against Tenant's Property (as defined in Section 10.06). Tenant shall use commercially reasonable efforts to have Tenant's Property taxed separately from the Property. Landlord shall notify Tenant if any of Tenant's Property is taxed with the Property, and Tenant shall pay such taxes to Landlord within thirty (30) days of such notice.

ARTICLE 6: BUILDING SERVICES AND SPECIAL BUILDING FACILITIES

6.01.Utility Services.

(a)Tenant shall make all arrangements for, and shall provide and pay when due all charges and deposits required by the provider for, water, sewer, gas, boiler water, electricity, telephone and any other utilities or services used or consumed on the Premises (collectively, "**Utility Services**"), whether called use charge, tax assessment, fee, or otherwise, as the same become due. As part of the Base Building Work, Landlord will install Oncom BTU metered taps for reheat hot water from the main Building loop to the Premises (if additional taps from the main loop are required, Tenant shall install them at its own cost and expense (which are eligible for reimbursement by the Landlord's Allowance under the Work Letter), and any meters installed as

part of such work shall be compatible with the Building equipment and the Building BMS system. As part of the Initial Tenant Work, Tenant shall, at its own cost and expense but subject to reimbursement by the Landlord's Allowance under the Work Letter), install (i) a tenant meter on the utility gas manifold to measure the amount of gas consumed to service the Premises, and (ii) a tenant meter to measure the amount of domestic water delivered to the Premises. Tenant shall install, as part of its electrical service switchgear, a CT cabinet with an electrical usage meter as required by the Utility Service Provider, the cost of which, together with their installation, may be reimbursed by Landlord's Allowance under the Work Letter. If the Utility Service Provider will not allow individual direct metering for Tenant's service, this meter shall be used to measure Tenant's direct usage of electricity within the Premises, (including the electricity consumed in providing HVAC service to the Premises), for which Tenant shall reimburse Landlord at the direct billing rates charged to Landlord by the Utility Service Provider. Landlord shall bill Tenant monthly for such hot water, gas, domestic water (and, if applicable, electrical consumption), each as a recurring charge, based on submeters installed by Tenant as part of the Initial Tenant Work at its own cost and expense (but subject to reimbursement by the Landlord's Allowance under the Work Letter), and Tenant shall pay each such invoice, as Additional Rent, within thirty (30) days after receipt of an invoice therefor.

(b)Tenant shall timely pay all costs and expenses associated with any directly and separately metered utilities (such as telephone) provided exclusively to the Premises directly to the applicable service provider. Tenant shall pay all costs and expenses associated with utility charges that are based on sub-metering or check metering directly to Landlord, without mark-up by Landlord on account of Landlord's administration of such charges, within thirty (30) days of invoice therefor by Landlord. With respect to any Utility Services that are not either separately metered or measured by a check meter or submeter, Tenant shall pay the cost of the same as part of Operating Costs payable hereunder. Tenant may, no more than once per calendar year, conduct an engineering survey at its sole cost and expense to determine whether the submeters and/or check meters are accurately measuring the particular services to be measured thereby and, if Tenant discovers any metering inaccuracies as a result of such survey and such inaccuracies result in an error in the amount billed to Tenant, Landlord shall promptly refund the overpayment within thirty (30) days after receipt of notice from Tenant of such inaccuracy. If requested by Landlord, Tenant and the persons conducting the engineering survey for Tenant shall enter into a reasonable confidentiality agreement prior to inspecting such meters, which shall permit Tenant to disclose the results of such survey to the extent required to enforce its rights hereunder. If the survey shows any errors resulting in any underpayment for such services, Tenant shall reimburse Landlord for Tenant's share of such underpayment, as Additional Rent, within ten (10) Business Days of demand. In no event shall Tenant engage any person in connection with such engineering survey whose fees or costs are payable, in whole or part or directly or indirectly, in a contingent manner or by means of any commission depending on the survey outcome. Any dispute regarding amounts due, or accuracy of the meters, under this paragraph shall be resolved in accordance with Section 16.17 of this Lease at the request of Landlord or Tenant, which request shall be made with respect to disputes regarding amounts due, no later than one hundred twenty (120) days after Tenant receives Landlord's Annual Operating Statement for the fiscal year in question (any bill not disputed within such 120-day period shall be deemed final and conclusive). Except as expressly set forth in Section 6.03, Landlord shall not be liable for any interruption or failure in the supply of any utilities or Utility Services.

(c)To the maximum extent permitted by law, Landlord shall have the right at any time and from time to time during the Term to contract for or purchase one or more Utility Services from any reputable company or third party providing Utility Services ("**Utility Service Provider**") to the Building, provided that the rates charged by such Utility Service Provider are competitive with the current market rates. In exercising its rights hereunder, Landlord shall make commercially reasonable efforts to avoid any interruption to Tenant's business operations in connection with the change from one Utility Service Provider to another. Subject to Section 9.06, Tenant agrees reasonably to cooperate with Landlord and such Utility Service Providers and at all times as reasonably necessary, and on reasonable advance notice of not less than forty-eight (48) hours (except in the event of emergency), shall allow Landlord and the Utility Service Providers reasonable access to any utility lines, equipment, feeders, risers, ducts, shafts, fixtures, wiring and any other such machinery or personal property within the Premises and associated with the delivery of Utility Services.

(d)Except for the Initial Tenant Work (as defined in Exhibit C attached hereto) and the equipment and appliances being installed in connection therewith in accordance with Tenant's Plans as approved by Landlord, Tenant agrees that it will not make any material alteration or material addition to the electrical equipment and/or appliances in the Premises which would require increased electrical service to the Premises or modifications to the structure of the Building, without the prior written consent of Landlord in each instance, which consent will not be unreasonably withheld, conditioned or delayed, and using contractor(s) reasonably approved by Landlord, and will promptly advise Landlord of any other alteration or addition to such electrical equipment and/or appliances (as to which Landlord's prior written consent shall not be required).

6.02.Building Services and Building Systems.

(a)In addition to the services described in Section 6.01, Landlord shall provide the following services to Building common areas, the costs of which are included within Operating Expenses:

(i)Janitorial services for the Building common areas as described in Exhibit E attached hereto.

(ii)Building security consistent with similar "first-class" laboratory and office buildings in the vicinity of the Property as described in Exhibit E attached hereto.

(iii)Landlord shall arrange for and provide (as defined below) to the common areas of the Building those services as set forth in Exhibit E attached hereto.

(iv)Landlord shall provide HVAC service to the common areas of the Building by means of the Building mechanical system, during Normal Business Hours, at such temperatures and in such amounts as are reasonably deemed by Landlord to be in keeping with the first-class standards of the Building.

Tenant acknowledges that Landlord has not made any warranty or representation to Tenant as to the efficacy of the security services that Landlord is required to provide under this Lease.

(b)Landlord shall provide to the common areas of the Building the janitorial services as described in Exhibit E attached hereto, the costs of which are included within Operating Expenses. Tenant shall, at its sole cost and expense, provide janitorial services to the Premises on each Business Day during the Term. In addition, Tenant shall arrange for the removal and disposal of its lab-related refuse by a licensed vendor, all at Tenant's sole cost and expense, such removal and disposal to be accomplished in accordance with all applicable Legal Requirements.

(c)Tenant shall have the ability to control the provision of heat, ventilation or air conditioning (collectively, "**HVAC**") services to the portions of the Premises served by the Building mechanical systems (as opposed to being provided by means of any HVAC equipment or system installed by or on behalf of Tenant and serving only the Premises). The electricity consumed in providing HVAC service to the Premises (whether by means of the Building mechanical system or Tenant's supplemental HVAC system) shall be measured by a submeter and charged back to Tenant by Landlord at Landlord's actual cost, without mark-up. The hot water consumed in providing HVAC service to the Premises through the Building mechanical system shall be metered to Tenant. Landlord shall bill Tenant monthly for such electrical consumption and hot water consumption as measured by such meters or submeters, and Tenant shall pay each such invoice, as Additional Rent, within thirty (30) days after receipt of an invoice therefor. Tenant agrees to lower and close the blinds or drapes when necessary because of the sun's position, whenever the air conditioning system is in operation, and to cooperate fully with Landlord with regard to, and to abide by all the reasonable regulations and requirements which Landlord may prescribe for, the proper functioning and protection of the air conditioning system of general applicability to all occupants of the Building and provided such regulations and requirements are provided in writing to Tenant thirty (30) days in advance.

(d)If Tenant desires HVAC service to a common area of the Building outside of Normal Business Hours, Landlord will use reasonable efforts, upon not less than twenty-four (24) hours' prior written notice from Tenant of its requirements in that regard, to furnish additional HVAC service to such common area during such requested times. Tenant will pay to Landlord Landlord's actual hourly cost (including equipment depreciation), without markup, as the same may be adjusted from time to time by Landlord, for any such additional HVAC service required by Tenant.

Excluding any equipment to be installed as part of the Initial Tenant Work, in the event Tenant requires additional air conditioning for business machines, meeting rooms or other special purposes, or because of occupancy or excess electrical loads, any additional HVAC units, chillers, condensers, compressors, ducts, piping and other equipment, such HVAC equipment will be installed, but only if, in Landlord's reasonable judgment, the same will not cause damage or injury to the Building or create a dangerous or hazardous condition. At Landlord's sole election, such equipment will either be installed:

(i)by Landlord at Tenant's expense and Tenant shall reimburse Landlord within thirty (30) days of demand (but to the extent that such equipment will serve portions of the Property other than the Premises, Tenant shall only be obligated to pay its proportionate share of such cost), as Additional Rent, in such an amount as will compensate it for the cost incurred by it in installing, operating, maintaining, repairing and replacing, if necessary, such additional HVAC equipment. At Landlord's election, such equipment shall be maintained, repaired and replaced by Tenant at

Tenant's sole cost and expense, and throughout the Term, Tenant shall, at Tenant's sole cost and expense, purchase and maintain a service contract for such equipment from a service provider reasonably approved by Landlord (but to the extent that such equipment will serve portions of the Property other than the Premises, Tenant shall only be obligated to pay its proportionate share of such costs). Tenant shall obtain Landlord's prior written approval of both the form of service contract and of the service provider, which approval shall not be unreasonably withheld, conditioned or delayed; or (ii) only if the additional equipment will exclusively serve the Premises, by Tenant, subject to Landlord's prior reasonable approval of Tenant's plans and specifications for such work. In such event: (i) such equipment shall be installed, maintained, repaired and replaced by Tenant at Tenant's sole cost and expense, and (ii) throughout the Term, Tenant shall, at Tenant's sole cost and expense, purchase and maintain a service contract for such equipment from a service provider approved by Landlord. Tenant shall obtain Landlord's prior written approval of both the form of service contract and of the service provider, which approval shall not be unreasonably withheld, conditioned or delayed.

(e)Pursuant to Section 10.03, Landlord shall repair, maintain in good condition and order, and replace all Building Systems (including the HVAC, plumbing, electrical, mechanical, fire and life safety, and other systems, and the elevators) to the extent to which the same were installed as part of the Base Building Work, subject to casualty, condemnation and matters described in Section 16.09, the cost of which shall be included in Operating Expenses to the extent provided in Section 7.01. Tenant shall be solely responsible, at its sole cost and expense, for repairing, maintaining and replacing all equipment which services solely the Premises, whether the same were initially installed by Landlord or Tenant, and whether the same were installed prior to the Rent Commencement Date or thereafter, except to the extent the need for such repair results from Landlord's negligence or willful misconduct or the negligence or willful misconduct of its agents, employees or contractors. In no event shall Landlord be liable for any interruption or delay in providing any of the services described in this Section or in Exhibit E attached hereto by reason of any accident, the making of repairs, alterations or improvements (except as otherwise expressly provided herein), labor difficulties, trouble in obtaining fuel, electricity, service or supplies from the sources from which they are usually obtained for such Building, governmental restraints, or any cause beyond Landlord's control.

(f)Notwithstanding anything to the contrary contained in this Article 6 or elsewhere in this Lease, Landlord may institute, and Tenant shall comply with, such policies, programs and measures as may reasonably be necessary, required, or expedient for the conservation and/or preservation of energy or energy services, or as may be necessary or required to comply with applicable Legal Requirements.

(g)Tenant acknowledges that it has been provided with an opportunity to confirm that the electric current serving the Premises will be adequate to supply its proposed permitted uses of the Premises. If, however, Tenant subsequently determines that it will require electric current for use in the Premises in excess of the quantity which, in Landlord's reasonable judgment, Landlord's facilities are capable of providing, then Landlord, upon written request and at the sole cost and expense of Tenant, will furnish and install such additional wire, conduits, feeders, switchboards and appurtenances as reasonably may be required to supply such additional requirements of Tenant if current therefor be available to Landlord, provided that the same shall be permitted by applicable Legal Requirements and Insurance Requirements, and shall not cause damage to the Building or

the Premises or cause or create a dangerous or hazardous condition or entail excessive or unreasonable alterations or repairs.

(h)Tenant shall have the right to install, at its sole cost and expense, a security system for its Premises provided that (i) such security system is compatible with any security system installed by Landlord with respect to the Building as a whole, and (ii) Tenant shall provide Landlord with access cards, keys or codes as required to gain entry into all parts of the Premises, subject to the provisions of Section 9.06.

(i)For the Term of this Lease, Landlord shall contract for the provision of scheduled shuttle private bus service or other vehicular transportation for employees of Tenant and other tenants at the Property to and from the Property and the Harvard Square MBTA Red Line Station, as more particularly provided in Exhibit F attached hereto.

(j)Landlord shall, at its sole cost and expense and as part of the Base Building Work, construct a loading area and install a freight elevator, all as more particularly provided in the Work Letter attached hereto as Exhibit C, at the location identified on Exhibit A attached hereto. Tenant shall have the right to use such loading dock and freight elevator, in common with other tenants of the Building, on a 24/7 basis at no additional charge.

(k)To the extent that Landlord provides security services at the Property or Building at any time during the term of this Lease, (i) Tenant hereby releases Landlord from any claim for injury to persons or damage to property asserted by Tenant or any Tenant Party that is suffered or occurs in or about the Premises or in or about the Building or Property or the common areas appurtenant thereto by reason of the act of any intruder or any other person in or about the Premises, Building or Property, except to the extent caused solely by the negligence or willful misconduct or Landlord or its employees, contractors or agents, and (ii) Landlord shall not be deemed to owe Tenant or any other person any duty or standard of care as a result of Landlord's provision of such security services other than such duty or standard of care as may be imposed by operation of law.

6.03.Service Interruptions .

(a)When necessary by reason of accident or emergency, or for repairs, alterations, replacements or improvements which in the reasonable judgment of Landlord are desirable or necessary to be made, or by reason of event(s) of Force Majeure, Landlord reserves the right to temporarily interrupt, curtail, stop or suspend (i) the furnishing of heating, elevator and/or other access to the Premises, air conditioning, and cleaning services and (ii) the operation of the plumbing and electric systems. Landlord shall exercise reasonable diligence to eliminate the cause of any such interruption, curtailment, stoppage or suspension, but except to the extent expressly provided in Section 6.03(b) below, there shall be no diminution or abatement of rent or other compensation due from Landlord to Tenant hereunder, nor shall this Lease be affected or any of the Tenant's obligations hereunder reduced, and the Landlord shall have no responsibility or liability for any such interruption, curtailment, stoppage, or suspension of services or systems. Landlord shall schedule all non-emergency interruptions, curtailments, stops or suspensions of services or systems in advance after consultation with Tenant, and shall make commercially reasonable efforts to avoid the same interfering with Tenant's conduct of its business in the

Premises, including but not limited to having such work performed outside of Tenant's normal business hours.

(b)Notwithstanding the foregoing, Tenant shall be entitled to a proportionate abatement of Base Rent in the event of a Landlord Service Interruption (as defined below). For the purposes hereof, a "Landlord Service Interruption" shall occur in the event (i) the Premises shall lack any service which Landlord is required to provide hereunder thereby rendering at least fifty (50%) percent of the usable area of the Premises untenantable for the entirety of the Landlord Service Interruption Cure Period (as defined below), (ii) such lack of service was not caused by the act or omission of Tenant or any Tenant Party; (iii) Tenant in fact ceases to use at least fifty (50%) percent of the Premises for the entirety of the Landlord Service Interruption Cure Period; and (iv) such interruption of service was the result of causes, events or circumstances within the Landlord's or any of its employees', contractors' or agents' reasonable control and the cure of such interruption is within Landlord's or any of its employees', contractors' or agents' reasonable control. During such Landlord Service Interruption Period, Landlord will, if reasonably practical, cooperate with Tenant to arrange for the provision of any interrupted services on an interim basis via temporary measures until final corrective measures can be accomplished and Tenant will permit Landlord the necessary access to the Premises to remedy such lack of service, subject to the provisions of Section 9.06. For the purposes hereof, the "Landlord Service Interruption Cure Period" shall be defined as seven (7) consecutive Business Days after Landlord's receipt of written notice from Tenant of the Landlord Service Interruption. This Section 6.03 shall be Tenant's sole and exclusive remedy on account of an interruption of services or Landlord default resulting in an interruption of services other than Tenant's right to obtain affirmative injunctive relief. This Section 6.03 shall not apply to any interruption or failure of services required to be provided by Landlord under Section 6.02(a) or Exhibit E attached hereto, which is caused in whole or in part by any act or omission of Tenant or any Tenant Party, or by any occurrence described in Section 16.09, or by any cause whatsoever other than those set forth in the first sentence of this Section 6.03. Notwithstanding the foregoing, if either Landlord or Tenant disputes in good faith whether, or the extent to which, an event is subject to the provisions of this Section 6.03, or the amount of Tenant's abatement of Base Rent hereunder, such dispute shall be resolved in accordance with Section 16.17 of this Lease; *provided, however,* that in the event that it is ultimately determined that there was a Landlord Service Interruption, then Tenant shall have the right to a retroactive equitable abatement of Base Rent for the period as set forth above, provided that, if the Term expires before Tenant's entire retroactive abatement has been effected, then Landlord shall immediately refund to Tenant any overpayment of Rent due under the Lease not yet received on account of the retroactive abatement.

ARTICLE 7: OPERATING EXPENSES

7.01.Operating Expenses.

(a)"**Operating Expenses**" shall mean all costs and expenses of whatever nature associated with the ownership, operation, management, cleaning, maintenance or repair of the Property, and of all Building Systems. Operating Expenses include the costs and expenses incurred in connection with the following (subject to the limitations and exclusions set forth in this Section 7.01): compliance with Landlord's obligations under Sections 6.01, 6.02 and 10.03; planting and landscaping; snow removal; utility, water and sewage services (in each case to the

extent not metered to and payable by Tenant or any other specific tenants of the Building); maintenance of signs; supplies, materials and equipment purchased or rented; total wage and salary costs paid to, and all contract payments made on account of, all persons engaged in the management, operation, maintenance, security, cleaning and repair of the Property at or below the level of Building Manager, including Social Security, old age and unemployment taxes and so-called "fringe benefits"; services generally furnished to tenants of the Property; maintenance, repair and replacement of Building equipment and components; utilities consumed and expenses incurred in the operation, maintenance and repair of the Property; costs incurred by Landlord in performing its obligations under any of the Agreements; costs incurred by Landlord to comply with the terms and conditions of any governmental approvals affecting operations of the Property; workers' compensation insurance and property, liability and other insurance premiums (but premiums on pollution liability insurance maintained by Landlord shall be allocated among only laboratory tenants); personal property taxes; rental or lease payments paid by Landlord for rented or leased personal property used in the operation or maintenance of the Property (provided that any such payments made to Affiliates of Landlord shall not exceed the amount otherwise payable in an arm's length transaction); rental or license payments paid by Landlord for parking areas to be made available for use by tenants of the Property; fees for required licenses and permits; routine maintenance and repair of Parking Facilities (whether situated on or off of the Property) and paving, including sweeping, striping, repairing, repaving and resurfacing; refuse removal; security; shuttle and other transportation services operated or contracted for by Landlord to provide transportation for employees of tenants of the Property between the Property and mass transit locations (which shuttle may service other locations owned or controlled by Landlord, in which case Landlord shall equitably allocate the costs of such shuttle between the various properties); and property management fees which shall not exceed three percent (3%) of annual Building gross rents. Landlord may use third parties or Affiliates to perform any of these services, and the cost thereof shall be included in Operating Expenses, so long as such third parties are professional and such costs do not exceed market rate costs. Costs referred to in this Section shall be ascertained in accordance with generally accepted accounting principles, and allocated to appropriate fiscal periods on the accrual method of accounting.

(b)Operating Expenses shall only include capital expenditures that (A) are for the primary purpose of reducing Operating Expenses (and then only to the extent that the amount of any annual amortization amount otherwise calculated pursuant to this subsection (b) does not exceed the amount of such savings on an annual basis, as reasonably determined by Landlord), or (B) are required by changes in Legal Requirements or Insurance Requirements occurring after the Date of Lease. Any capital expenditures not excluded from Operating Expenses pursuant to this paragraph shall be amortized over the useful life of the item in question as reasonably determined by Landlord in accordance with the relevant provisions of the Internal Revenue Code and the regulations promulgated thereunder, as amended from time to time, together with interest at Landlord's actual interest rate incurred in financing such capital expenditures, or, if no part of such expenditure is financed, at an imputed interest rate equal to the Prime Rate plus 2%.

(c)Notwithstanding anything contained herein to the contrary, in no event shall Operating Expenses include any of the following:

(1) expenses incurred by Landlord to lease space to new tenants or to retain existing tenants including marketing costs, brokerage commissions and concessions and

leasehold improvement allowances and costs, finders' fees, attorneys' fees and expenses, entertainment costs and travel expenses;

(2) debt service;

(3) attorneys' fees incurred in connection with lease negotiations or disputes with individual tenants, and other expenses and attorneys' fees to resolve disputes, enforce or negotiate lease terms with prospective or existing tenants or in connection with any financing, sale or syndication of the Property;

(4) accountants' fees incurred in connection with disputes with individual tenants and/or the existence, maintenance or non-Property related operations of the legal entity or entities of which Landlord is comprised. Without limitation, the foregoing shall not exclude the actual third party costs of preparing financial statements for Operating Expenses;

(5) the cost of any special work or service performed for any tenant (including Tenant) or licensee, such as after-hours HVAC service, which is billable to such tenant or licensee, or any costs in connection with services or benefits that are provided to or for the particular benefit of specific (but less than all of) the tenants and billable to them, and expenses for any item or service not provided to Tenant but to certain other tenant(s) in the Building;

(6) the cost of any items for which Landlord is reimbursed by insurance, condemnation, licensees, tenants (other than through general operating expense provisions) or otherwise;

(7) the cost of any additions, changes, replacements, painting, decorating, renovations and other items that are made solely in order to prepare tenant space for a new tenant's occupancy, or the cost of any other work in any space leased to an existing or prospective tenant or other occupant of the Building or the Property;

(8) interest, principal, points and fees, amortization or other costs and expenses associated with any debt or amortization payments on any mortgage or deed to secure debt and rental under any ground lease, master space lease or other underlying lease;

(9) any expenses for repairs or maintenance to the extent reimbursed due to warranties and service contracts;

(10) any cost that Tenant pays for directly (either to Landlord or a third party);

(11) any cost for which Landlord is reimbursed by a warranty that Landlord is required to obtain in connection with the Property pursuant to this Lease or that Landlord otherwise obtains in connection with the Property;

(12) any amounts paid to an Affiliate of Landlord for the performance of services that is in excess of the amount that would have been paid on an arm's length basis in the absence of such relationship;

(13) depreciation and amortization of the Property or any part thereof (except as otherwise provided in Section 7.01(b) above), or depreciation, amortization and interest payments, except on equipment, materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party where such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services, all as determined in accordance with generally accepted accounting principles, consistently applied, and when depreciation or amortization is permitted or required, the item shall be amortized over its reasonably anticipated useful life;

(14) salaries and bonuses and benefits of officers, executives of Landlord and administrative employees above the grade of property manager or building supervisor, and if a property manager or building supervisor or any personnel below such grades are shared with other buildings or has other duties not related to the building containing the Premises, only the allocable portion of such person's or persons' salary, bonuses, and benefits shall be included in Operating Expenses;

(15) Landlord's general overhead and administrative expenses;

(16) any capital expenditures, except to the extent expressly permitted pursuant to this Section 7.01;

(17) expenses incurred by Landlord to the extent the same are chargeable to any other tenant or occupant of the Property, or to any third party;

(18) any cost incurred by the negligence or willful misconduct of Landlord, its agents, contractors and employees;

(19) penalties, fines and other costs incurred due to violation by Landlord of any lease or any Legal Requirements applicable to the Building, and any interest or penalties due for late payment by Landlord of any of the Operating Expenses;

(20) Taxes;

(21) reserves;

(22) cost of alterations, capital improvements, equipment replacement and other items which under generallyaccepted accounting principles are properly classified as capital expenditures except as provided in Section 7.01(b);

(23) payments for rented equipment, the cost of which equipment would constitute a capital expenditure of the equipment were purchased;

(24) costs and expenses incurred by Landlord in connection with the repair of damage to the Building or Property caused by fire or other casualty, insured or required to be insured against hereunder, other than the deductible amount under such insurance policies;

(25) the cost of correcting defects in the initial construction of the Building;

(26) the cost of any item for which Landlord is reimbursed through condemnation awards;

(27) insurance premiums to the extent any unusual tenant activity causes Landlord's existing insurance premiums to increase or requires Landlord to purchase additional insurance, but only to the extent such additional cost can be identified by the insurer and are not passed through by Landlord to a specific tenant;

(28) the costs of all purchases of supplies for the Building or Property which create a larger than 90-day inventory; and

(29) costs and expenses of investigating, monitoring and remediating hazardous materials which were present on or beneath the surface of the Property as of the Date of Lease;

(30) costs incurred by Landlord due to the violation by Landlord or any tenant of the terms and conditions of any lease or license of premises in the Building;

(31) costs arising from Landlord's charitable or political contributions;

(34) costs for acquisition and installation of any sculpture, paintings or other objects of art in excess of ten thousand ($10,000) dollars per year; and

(35) any other costs or expenses which would not normally be treated as Operating Costs by landlords of comparable buildings in the vicinity of the Building.

Tenant shall pay Tenant's Pro Rata Share of Operating Expenses in accordance with Section 4.02.

ARTICLE 8: INSURANCE

8.01.Coverage. Tenant shall maintain throughout the Term, at its sole cost and expense, insurance for the benefit of Tenant and Landlord (as their interests may appear) from insurers licensed to do business in The Commonwealth of Massachusetts, rated at least "A:IX" by A.M. Best, with terms and coverages reasonably satisfactory to Landlord, and with such increases in limits as Landlord may from time to time require (provided that such limits are the same as those then being provided by similar types of tenants in the greater Boston area under leases of similar types of premises). Initially, Tenant shall maintain the following on an occurrence basis (except as otherwise expressly provided below):

(A) Commercial general liability insurance on an occurrence basis naming Landlord, Landlord's managing agent and Landlord's mortgagee(s) of which Tenant has

received written notice from time to time as additional insureds, insuring against all claims and demands for personal injury liability (including bodily injury, sickness, disease, and death) or damage to property, with combined single limits of not less than $5,000,000 per occurrence and $5,000,000 in the aggregate, which coverages may be effected by primary or excess coverage. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Tenant's indemnity obligations under this Lease. Such insurance shall be primary and not contributing to any insurance available to Landlord, and Landlord's insurance (if any) shall be in excess thereto;

(B) Property insurance covering property damage and business interruption. Covered property shall include all Tenant improvements in the Premises other than the Initial Tenant Work, but including all other Tenant Work, and Tenant's Property. Such insurance, with respect only to Tenant Work, shall name Landlord and Landlord's mortgagees of which Tenant has received written notice from time to time as additional loss payees as their interests may appear. Such insurance shall be written on an "all risk" of physical loss or damage basis including the perils of fire, extended coverage, windstorm, vandalism, malicious mischief, sprinkler leakage, and such other risks Landlord may from time to time reasonably designate (provided that insurance for such risks is then commercially available at commercially reasonable rates and is being carried by similar tenants for research and laboratory facilities in the vicinity of the Property), for the full replacement cost of the covered items and in amounts that meet any co-insurance clause of the policies of insurance, with a deductible amount not to exceed a then-commercially reasonable deductible, which initially shall be no greater than $50,000;

(C) Workers' compensation insurance with statutory benefits and employers liability insurance in the following amounts: each accident, $1,000,000; disease (policy limit), $1,000,000; disease (each employee), $1,000,000;

(D) Automobile Liability Insurance insuring bodily injury and property damage arising from all owned, non-owned and hired vehicles, if any, with minimum limits of liability of $1,000,000 combined single limit, per occurrence, naming Landlord, Landlord's managing agent and Landlord's mortgagee(s) of which Tenant has received written notice, from time to time, as additional insureds;

(E) Pollution legal liability insurance covering first and third party claims for clean-up costs, personal injury and property damage on an on-site and off-site basis, with a single claim and aggregate claim amount of Three Million Dollars ($3,000,000.00), naming Landlord, Landlord's managing agent and Landlord's mortgagee(s) of which Tenant has received written notice from time to time as additional insureds. The parties acknowledge and agree that the insurance required by this paragraph (E) shall not include coverage for preexisting environmental conditions at the Property as of the Date of Lease; and

(F) During all construction by Tenant, Tenant shall maintain with respect to the Premises and Property adequate builder's risk insurance, in form and amount reasonably satisfactory to Landlord based upon the scope of work, (and Landlord, its mortgagees of which Tenant has received written notice, and any ground or master lease lessors of which Tenant has received written notice shall be named as an additional insured party as their interest may appear).

Tenant shall provide to Landlord certificate(s) evidencing (i) the coverages required by **Sections 8.01(A), (B), (C)** and **(D)** on or before the Date of Lease, which coverages shall be effective as of such date, (ii) the coverage required by **Section 8.01(E)** not later than thirty (30) days prior to the earlier of either (x) the first delivery of Hazardous Materials to the Property for Tenant's use or (y) Tenant's occupancy of any portion of the Premises for the conduct of business therein, which coverage shall be effective not later than the earlier of the dates set forth in the foregoing clauses (x) and (y), and (iii) the coverage required by **Section 8.01(F)** not later than ten (10) Business Days prior to the date on which Tenant anticipates that Tenant's Contractor will commence its on-site mobilization for the performance of the Initial Tenant Work, which coverage shall be effective not later than the date on which Tenant's Contractor actually commences such on-site mobilization. Thereafter, Tenant shall provide certificates of each insurance coverage required by this Section not less than thirty (30) days before the expiration of such insurance coverage. All insurance certificates required to be provided by Tenant shall state (to the extent that insurers customarily do so) that such coverages may not be canceled or amended so as to materially adversely affect Landlord's interest without at least ten (10) days' prior written notice to Landlord and Tenant for cancellation due to non-payment, and thirty (30) days' prior written notice to Landlord and Tenant for other cancellations or amendments. All deductible amounts or self-insured retentions shall be subject to Landlord's prior written approval (which shall not be unreasonably withheld, conditioned or delayed), and shall be the sole responsibility of Tenant. In addition, Tenant shall cause Tenant's Contractor to provide to Tenant and to Landlord on or before the Date of Lease certificates evidencing the coverages required by **Sections 8.1(A), (B)** (with respect to work in progress owned by such contractor and such contractor's on-site property) and **(C)** maintained by Tenant's Contractor, and naming as additional insureds Landlord, Landlord's managing agent and Landlord's mortgagee(s) of which Tenant has received written notice from time to time, which coverages shall be effective as of such date, and thereafter to provide to Landlord certificates of each such insurance coverage not less than thirty (30) days before the expiration of such insurance coverage.

If Tenant does not procure the insurance required pursuant to this Section, or keep the same in full force and effect, Landlord may, but shall not be obligated to, take out the necessary insurance and pay the premium therefor after five (5) Business Days' written notice to Tenant without Tenant's procuring such insurance within such 5-Business Day period, after notice thereof to Tenant, and Tenant shall repay to Landlord, as Additional Rent, the amount so paid (together with interest thereon at the Default Rate) within ten (10) Business Days of demand. In addition, Landlord may recover from Tenant, as Additional Rent, any and all reasonable expenses (including reasonable attorneys' fees) and damages which Landlord may sustain by reason of the failure by Tenant to obtain and maintain such insurance, it being expressly declared that the expenses and damages of Landlord shall not be limited to the amount of the premiums thereon. The foregoing rights and remedies of Landlord shall not be deemed to waive any default or Event of Default

under this Lease resulting from any such failure by Tenant to procure or to maintain in full force and effect any insurance required by this Section.

8.02.Avoid Action Increasing Rates. Tenant shall not use or permit any use of the Premises beyond the Permitted Use that in any way that will make voidable any insurance on the Property, or on the contents of the Property, or which shall be contrary to any requirements from time to time established or made by Landlord's insurer, or which increases the cost of Landlord's insurance or requires additional insurance. Tenant shall cure any breach of this Section within ten (10) days after notice from Landlord or Tenant otherwise learning of such by (i) stopping any use that jeopardizes any insurance coverage or increases its cost or (ii) paying the increased cost of insurance. Tenant shall have no further notice or cure right under Article 13 for any such breach. Tenant shall reimburse Landlord within ten (10) Business Days of demand, as Additional Rent, for all of Landlord's costs reasonably incurred in providing any insurance that is attributable to any special endorsement or increase in premium resulting from the business or operations of Tenant other than those customarily associated with laboratory use for the type of medical research conducted by Tenant, and any special or extraordinary risks or hazards resulting therefrom, including any risks or hazards associated with the generation, storage and disposal of Hazardous Materials.

8.03.Waiver of Subrogation. Landlord and Tenant each waive any and every claim for recovery from the other for any and all loss of or damage to the Property or any part of it, or to any of its contents or to Tenant's Property or any part of it, which loss or damage is covered by valid and collectible property insurance (or which would have been covered had the insurance policies required to be maintained by Tenant or Landlord under this Lease been in force, to the extent that such loss or damage would have been recoverable under such policies). This mutual waiver precludes the assignment of any such claim by subrogation (or otherwise) to an insurance company (or any other person), and Landlord and Tenant each agree to give written notice of this waiver to each insurance company that has issued or shall issue any property insurance policy to it, and to have such policies properly endorsed, if necessary, to prevent invalidation of the insurance coverage because of this waiver. In consideration of the foregoing, each of the parties hereto agrees with the other party that such insurance policies as it may have in effect during the Term of this Lease shall include a clause or endorsement which provides in substance that the insurance company waives any right of subrogation which it might otherwise have against Landlord, Landlord's managing agent, or Tenant.

8.04.Landlord's Insurance. Landlord shall purchase and maintain throughout the Term, with insurance companies qualified to do business in the Commonwealth of Massachusetts: (i) commercial general liability insurance for incidents occurring in the common areas, with coverage for premises/operations, personal and advertising injury, products/completed operations and contractual liability for bodily injury and property damage, with limits and deductibles as determined by Landlord, and (ii) property insurance covering the Building (including the Initial Tenant Work but excluding all other Tenant Work) covering the same against fire and other casualty covered in an "all-risk" policy, at its full replacement cost. As set forth in Section 4.02, the cost of any such insurance shall be borne by Tenant and other tenants as part of Operating Costs.

ARTICLE 9: USE OF PREMISES

9.01.Permitted Uses. Tenant shall use the Premises only for the Permitted Uses described in Article 1 and for no other use. Tenant shall keep the Premises equipped with appropriate safety appliances to the extent required by applicable Legal Requirements or Insurance Requirements. Tenant shall not cause or permit any potentially harmful air emissions, or objectionable odors or emissions exceeding those typically emitted from normal laboratory operations similar to those conducted by Tenant, to emanate from or permeate the Premises. Tenant shall not conduct or permit any auctions or sheriff's sales at the Property.

9.02.Indemnification. Subject to Section 8.03, Tenant is responsible for the Premises and any

Tenant's improvements, equipment, facilities and installations, wherever located on the Property and all liabilities, including tort liabilities, incident thereto, except to the extent caused by the negligence or willful misconduct of Landlord, Landlord's agents, employees or contractors, or the Indemnitees. Subject to Section 8.03, and except to the extent caused by the negligence or willful misconduct of Landlord, Landlord's agents, employees, contractors, or the Indemnitees, Tenant shall indemnify, save harmless and defend Landlord and Landlord's partners, shareholders, members, managers, owners, officers, mortgagees, ground lessors, agents, employees, independent contractors, Landlord's managing agent and other persons acting under them (collectively, "**Indemnitees**") from and against all liability, claim, damage, loss or cost (including reasonable attorneys' fees) to the extent arising from (i) any alleged or actual injury, loss, theft or damage to any person or property while on the Premises; (ii) any alleged or actual injury, loss, theft or damage to any person or property while on the Property or in the Building (other than within the Premises) to the extent arising from the negligent or willful acts or omissions of Tenant or persons claiming by, through or under Tenant, or any of their respective officers, employees, agents, servants, contractors or invitees (collectively, "**Tenant Parties**"); (iii) failure of Tenant or any Tenant Party to comply with any provision of this Lease; or (iv) the use of the Premises, the Property or the Building by Tenant or any Tenant Party, in each case under (i) through (iv) above paying any cost to Landlord on demand as Additional Rent.

The provisions of this Section shall survive the expiration of the Term or the earlier termination of this Lease.

9.03.Compliance With Legal Requirements.

(a)Tenant shall not permit the Premises, or cause the Premises or the Property or the Building, to be used in any way that violates any applicable law, code, ordinance, restrictive covenant or other encumbrance of record, governmental regulation, order, permit, approval or any other governmental consent (each a "**Legal Requirement**"), or that unreasonably interferes with the use of other portions (i.e., other than the Premises) of the Property by other tenants of the Property, or constitutes a nuisance or waste. Tenant shall, at its sole cost and expense, be responsible for material compliance with all Legal Requirements applicable to the Premises (or to the Property by reason of Tenant's use and occupancy of the Premises) or to Tenant's particular use thereof (as opposed to use for the Permitted Uses generally). The foregoing notwithstanding, Landlord, and not Tenant, shall be responsible for making all improvements and alterations to the

common areas of the Building which are required to cause the same to comply with all present and future Legal Requirements (the cost of which shall be included in Operating Expenses pursuant to Section 7.01(b) to the extent permitted thereby with respect to improvements and alterations required by Legal Requirements first applicable after the Term Commencement Date, and otherwise at Landlord's sole cost and expense (and not as an Operating Expense)). Furthermore, Tenant shall not be responsible for any violation of a Legal Requirement or Environmental Law (i) that occurred prior to the Date of Lease, (ii) that occurred in connection with the Base Building Work, (iii) to the extent that such violation was caused by the negligence or willful misconduct of Landlord or Landlord's agents, employees or contractors, or (iv) that is not caused by an act or omission of Tenant or any Tenant Party.

(b)Tenant shall be responsible, at its sole cost and expense, for procuring and maintaining in full force and effect, and complying at all times with, any and all necessary permits, certifications, permissions and the like and complying with any reporting requirements directly relating or incident to the conduct of its activities on the Premises. Within ten (10) Business Days of a request by Landlord, which request shall be made not more than once during each period of twelve (12) consecutive months during the Term hereof, unless otherwise requested by any mortgagee of Landlord or prospective purchaser of the Property, Tenant shall furnish Landlord with copies of all such permits that Tenant has obtained together with a certificate certifying that, to the best of Tenant's actual knowledge, Tenant is in material compliance with all Legal Requirements and Environmental Laws applicable to its use and occupancy of the Premises, or, if applicable, identifying any violations of which Tenant is aware and which are Tenant's obligation to cure under the terms hereof, and setting forth the steps which Tenant is taking to cure such violations. Tenant shall promptly give notice to Landlord of any written warnings or violations resulting from Tenant's use or occupancy of, or any condition within, the Premises (including building code violations, fire safety code violations, wastewater management violations, OSHA violations, or violations of Legal Requirements (including Environmental Laws)) received from any federal, state, or municipal agency or any court of law within ten (10) Business Days after Tenant's receipt of such notice and, to the extent that the cure of such violation is Tenant's obligation hereunder, shall promptly cure the conditions causing any such violations, subject to Tenant's right to contest such violation as set forth in this subsection (b). Tenant shall not be deemed to be in default of its obligations under the preceding sentence to promptly cure any condition causing any such violation in the event that, in lieu of such cure, Tenant shall contest the validity of such violation, or apply for a variance or permission to allow such use by appellate or other proceedings permitted under applicable Legal Requirements, provided that: (i) any such contest is made reasonably and in good faith, (ii) Tenant makes provisions reasonably acceptable to Landlord, including posting bond(s) or giving other security reasonably acceptable to Landlord, to protect Landlord and its mortgagees, the Building and the Property from any liability, costs, damages or expenses arising in connection with such violation and failure to cure, (iii) subject to Section 8.03, Tenant agrees to indemnify, defend (with counsel reasonably acceptable to Landlord) and hold Landlord and its mortgagees harmless from and against any and all liability, costs, damages, or expenses arising in connection with such condition and/or violation, except to the extent to which such condition was caused by the negligence or willful misconduct of Landlord or Landlord's employees, agents or contractors, (iv) Tenant shall promptly cure any violation in the event that its appeal of such violation is overruled or rejected through final adjudication, (v) Tenant shall certify to Landlord's and its mortgagees' reasonable satisfaction that Tenant's decision to delay such cure shall not result in any actual or threatened bodily injury or property damage to

Landlord, any tenant or occupant of the Building or the Property or any other person or entity, and (vi) this Lease is in full force and effect and no Event of Default has occurred and is then continuing.

9.04.Hazardous Materials.

(a)"**Environmental Law**" shall mean all statutes, laws, rules, regulations, codes, ordinances, standards, guidelines, authorizations and orders of federal, state or local public authorities now in force or hereafter enacted, modified, or amended pertaining to the protection of the environment or to health or safety risks arising therefrom, including, but not limited to, control of air pollution, water pollution, groundwater pollution, and the generation, manufacture, management, handling, use, sale, transportation, delivery, discharge, emission, treatment, storage, disposal, release or threatened release of Hazardous Materials. To the extent applicable, such laws include, but are not limited to: (1) the Clean Air Act, 42 U.S.C. § 7401, et seq.; (2) the Clean Water Act, 33 U.S.C. § 1251, et seq.; (3) the Safe Drinking Water Act, 42 U.S.C. § 300f, et seq.; (4) the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, et seq.; (5) the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601, et seq.; (6) the Toxic Substances Control Act, 15 U.S.C. § 2601, et seq.; (7) Title III of the Superfund Amendments and Reauthorization Act, also known as the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 11001; (8) the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq.; (9) federal regulations promulgated pursuant to any of the foregoing statutes; (10) Massachusetts laws and regulations enacted in order to implement federal environmental statutes and regulations; (11) the Massachusetts Hazardous Waste Management Act, M.G.L. c. 21C; (12) the Massachusetts Oil and Hazardous Materials Release Prevention and Response Act, M.G.L. c. 21E; (13) the Hazardous Substances Disclosure by Employers Act, M.G.L. c. 111F; (14) Massachusetts regulations promulgated pursuant to the authority of applicable state environmental laws; and (15) local ordinances and regulations.

"**Hazardous Materials**" shall mean, but shall not be limited to, any products, hazardous substances, hazardous waste, toxic substances, environmental, biological, pathological, chemical, radioactive materials, waste or substances, oil or petroleum products and any material, waste or substance, which because of its quantitative concentration, chemical, biological, radioactive, flammable, explosive, infectious, or other characteristics, constitutes or may reasonably be expected to constitute or contribute to a danger or hazard to public health, safety or welfare or to the environment, including any asbestos (whether or not friable) and any asbestos-containing materials, lead paint, waste oils, solvents and chlorinated oils, polychlorinated biphenyls (PCBs), toxic metals, etchants, pickling and plating wastes, explosives, reactive metals and compounds, pesticides, herbicides, radon gas, urea formaldehyde foam insulation and chemical, biological and radioactive wastes, or any other materials or substances that are regulated by any Environmental Law; and including any other products or materials subsequently found by an authority of competent jurisdiction to have adverse effects on the environment or the health and safety of persons.

(b)Tenant, at its sole cost and expense, shall comply with all Environmental Laws pertaining to the transportation, use, storage, generation, disposal, release or discharge of Hazardous Materials to, from or at the Property by Tenant or any Tenant Party, including obtaining all required permits and approvals. Provided that the same is performed at all times in accordance

with the provisions of this Lease, Tenant may generate, produce, bring upon, use, store or treat Hazardous Materials in the Premises which are (a) cleaning products or office supplies typically used in laboratory/office space, and (b) materials otherwise used in the ordinary course of Tenant's operations and typically found in other leased laboratory space used for comparable purposes, as reasonably needed for Tenant's operations and research activities, and strictly in accordance with applicable Environmental Laws. In all events Tenant shall comply with all applicable provisions of the standards of the U.S. Department of Health and Human Services as further described in the USDHHS publication Biosafety in Microbiological and Biomedical Laboratories (5th Edition, December 2009) as it may be further revised, or such nationally recognized new or replacement standards as may be reasonably selected by Landlord. Except as otherwise set forth above in clauses (a) and (b) of the second sentence of this subsection (b), Tenant shall not cause or permit any Hazardous Materials to be generated, produced, brought upon, used, stored, treated or disposed of to, from, or in or about the Property by Tenant or any Tenant Party without Landlord's prior written consent, which may be withheld in Landlord's sole discretion. Any Hazardous Materials permitted to be stored on the Premises pursuant to this paragraph shall be stored in areas of the Premises exclusively designated by Tenant for such purpose to the extent required by Legal Requirements. In no event shall any Hazardous Materials be generated, stored, used or disposed of outside of the Premises. Tenant shall not dispose of Hazardous Materials from the Premises to any other location except in strict compliance with all applicable Environmental Laws, nor permit any persons acting under it to do so. Notwithstanding the foregoing, Tenant shall not, in any event, be responsible for any Hazardous Materials to the extent such Hazardous Materials are introduced to the Property by anyone other than Tenant or any Tenant Party.

(c)Within ten (10) Business Days after taking initial occupancy of the Premises, Tenant shall provide to Landlord a list of all Hazardous Materials used, stored or generated by Tenant in the Premises, including quantities of each anticipated to be used, together with the material safety data sheet ("**MSDS**") for each such Hazardous Material. Thereafter, within ten (10) Business Days of Landlord's request (which request shall not be made more frequently than once in any 12-month period unless either required by Landlord's mortgagee or Landlord reasonably believes that a violation of Environmental Laws has occurred on or from the Premises), Tenant shall provide Landlord with an updated list of all Hazardous Materials used, stored or generated by Tenant in the Premises, including quantities of each used, together with the MSDS for each such Hazardous Material and such other information as Landlord may reasonably request at such time. From time to time at Landlord's request (which request shall not be made more frequently than once in any 12-month period unless either required by Landlord's mortgagee or Landlord reasonably believes that a violation of Environmental Laws has occurred on or from the Premises), Tenant shall execute certifications and the like, in form reasonably acceptable to Tenant, to the best of Tenant's knowledge and belief, regarding the presence or absence of Hazardous Materials on the Premises, the Property or the Building used, stored, generated, disposed of or released by Tenant or any Tenant Party. Tenant agrees to pay the cost of any environmental inspection or assessment requested by any governmental agencies, mortgagees of the Property, or by any insurance carrier to the extent that such inspection or assessment pertains to any release, threat of release, contamination, claim of contamination, loss or damage or deterioration of condition in the Premises caused by or alleged to be caused by Tenant or any Tenant Party (collectively, "**Environmental Incidents**"). Notwithstanding anything to the contrary contained in this **Section 9.04**, to the extent that any disclosure, affidavit or similar document to be provided to Landlord under this **Section 9.04** (including in connection with any

audit conducted under this Section 9.04) would otherwise be required to disclose proprietary information concerning chemicals, substances or materials synthesized by Tenant from constituent Hazardous Materials, such disclosure may exclude such proprietary information provided that the constituent Hazardous Materials (but not the manner, quantities or concentrations in which they are combined to form such chemicals, substances or materials) are identified therein.

(d)Landlord shall not be liable to Tenant or any Tenant Party or to any person or governmental authority whatsoever for any release of Hazardous Materials brought to the Premises by or on behalf of Tenant at any time during the Term, except to the extent caused by the negligence or willful misconduct of Landlord or its employees, agents or contractors. Landlord shall have the right, from time to time during the Term, but not more than once in any 12-month period unless either Tenant is in default of its obligations under this Section 9.04 or Landlord reasonably believes that a release of Hazardous Materials has occurred on, at or from the Premises caused by Tenant or a Tenant Party, to enter upon the Premises upon reasonable prior notice to Tenant to perform environmental audits relating to the operations of Tenant and all those claiming through Tenant on the Premises, including (i) reviewing Tenant's books and records relating to the types and amounts of all Hazardous Materials being generated, produced, brought upon, used, stored or disposed of by or on behalf of Tenant at, on or from the Premises, as well as Tenant's records relating to compliance with Environmental Laws and industry standards applicable to the generation, handling, use, storage and disposal of Hazardous Materials, (ii) observing techniques for handling, storing, using and disposing of Hazardous Materials, (iii) reviewing any federal, state or municipal filings or compliance reports made by Tenant with respect to Hazardous Materials that are required by applicable Environmental Law, (iv) reviewing documentation relating to the off-Premises disposal of Hazardous Materials from the Premises, and (v) conducting such tests as Landlord reasonably deems appropriate, all such work to be performed at Landlord's sole expense except as otherwise provided in the next sentence. In addition to, and not in limitation of the rights provided in the immediately preceding sentence, if required by any governmental agency or if Landlord reasonably believes that a release of Hazardous Materials has occurred on or from the Premises by Tenant or any Tenant Party or a threat of release exists arising from Hazardous Materials being handled, stored, used or disposed of by Tenant or any Tenant Party other than in accordance with the requirements of this Lease and all applicable Environmental Laws, then Landlord may, but need not, perform appropriate testing and the reasonable costs thereof shall be reimbursed to Landlord by Tenant within ten (10) Business Days of demand, as Additional Rent, except that Landlord shall bear the cost of such testing if (i) Landlord (rather than a governmental agency) requested such testing and (ii) such testing determines that no such release has occurred as a result of the actions of Tenant or any Tenant Party and that Hazardous Materials are being handled, used, stored and disposed of in compliance with the terms of this Lease and all applicable Environmental Laws. Tenant shall cooperate with Landlord in connection with any environmental audits or other inspections or testing performed by Landlord pursuant to this Section. Landlord and any third parties conducting such audits and/or inspecting Tenant's books and records shall enter into reasonable non-disclosure and confidentiality agreements with Tenant, in form reasonably acceptable to Landlord and Tenant.

(e)If any transportation, generation, storage, use or disposal of Hazardous Materials on or about the Premises, the Building or the Property by Tenant or any Tenant Party, results in the threat of release, release onto, or other contamination of any portion of the Property or adjacent areas that is required to be reported to a governmental authority under any Environmental Law or

other Legal Requirement, including building or parking areas, soil or surface or ground water, or any loss or damage to person(s) or property, Tenant agrees to: (a) notify Landlord immediately, once Tenant has knowledge or has received notice, of any release, threat of release, contamination, claim of contamination, loss or damage, and (b) after consultation with Landlord, clean up the release, threat of release, or contamination in compliance with all applicable Environmental Laws or Legal Requirements. In the event of such contamination, Tenant agrees to cooperate fully with Landlord and to provide such documents, affidavits and information as may be reasonably requested by Landlord (1) to comply with any Environmental Law or Legal Requirement, (2) to comply with the request of any lender, purchaser or tenant, and/or (3) for any other reason reasonably deemed necessary by Landlord. Tenant shall notify Landlord promptly in the event of any spill or other release of any Hazardous Material at, in, on, under or about the Premises or the Property by Tenant or any Tenant Party that is required to be reported to a governmental authority under any Environmental Law or Legal Requirement, shall promptly forward to Landlord copies of any written notices received by Tenant relating to alleged violations of any Environmental Law or Legal Requirement and shall promptly pay when due any fine or assessment against Landlord, Tenant, the Premises or the Property relating to any violation of any Environmental Law or Legal Requirement by Tenant or any Tenant Party, to the extent that compliance with such Environmental Law or Legal requirement is Tenant's obligation. If any governmental authority files a lien against the Premises or the Property due to any act or omission, intentional or unintentional, of Tenant or any Tenant Party that results or has resulted in the releasing, spilling, leaking, leaching, pumping, emitting, pouring, emptying or dumping of any Hazardous Material, Tenant shall, within ten (10) Business Days from the date that Tenant is first given notice of such lien (or within such shorter period of time as may be specified by Landlord if such governmental authority takes steps to enforce such lien) either (A) pay the claim and remove the lien or (B) furnish a cash deposit bond or such other security as is reasonably satisfactory in all respects to Landlord and sufficient to discharge or bond over the lien completely.

(f)Any increase in the premium for necessary insurance on the Premises or the Property which arises from Tenant's use and/or storage of Hazardous Materials beyond those typically found in office and laboratory space used for comparable purposes shall be solely at Tenant's expense. Tenant shall procure and maintain at its sole expense such additional insurance as may be required to comply with any applicable requirement of any federal, state or local government agency with jurisdiction over Tenant's use, generation or storage of Hazardous Materials at the Premises.

(g)Subject to Section 8.03, except to the extent caused by the negligence or willful misconduct of Landlord, its employees, agents, contractors or the Indemnitees, Tenant shall indemnify, defend with counsel reasonably acceptable to Landlord and hold the Indemnitees fully harmless from and against any and all liability, loss, suits, claims, actions, causes of action, proceedings, judgments, demands, costs, penalties, damages, fines and expenses, including reasonable attorneys' fees and costs of litigation, consultants' fees, laboratory fees and clean-up costs, and the costs and expenses of investigating and defending any claims or proceedings, resulting from, or attributable to (i) the presence of any Hazardous Materials on or in the Premises, the Building or the Property arising from the act, omission or negligence of Tenant or any Tenant Party, or arising out of the generation, storage, treatment, handling, transportation, disposal or release by Tenant or any Tenant Party of any Hazardous Materials at or near the Premises or the remainder of the Property from and after such time, and which require remedial action under

applicable Environmental Laws, (ii) any violation(s) by Tenant or any Tenant Party of any Environmental Laws, (iii) any Environmental Incidents (as defined above) and (iv) any breach by Tenant of its covenants and obligations under this Section 9.04 or Section 10.07. Notwithstanding anything to the contrary, in no event shall Tenant have any liability or responsibility for, and Tenant's obligations to indemnify, defend and hold harmless hereunder shall not apply to, any Hazardous Materials which are not either brought to the Premises or Property for use by Tenant or any Tenant Party, or generated, produced, used, stored, released or disposed of, by Tenant or any Tenant Party.

(h)Landlord shall indemnify, defend with counsel reasonably acceptable to Tenant and hold Tenant fully harmless from and against any and all liability, loss, suits, claims, actions, causes of action, proceedings, judgments, demands, costs, penalties, damages, fines and expenses, including reasonable attorneys' fees and costs of litigation, consultants' fees, laboratory fees and clean-up costs, and the costs and expenses of investigating and defending any claims or proceedings, resulting from, or attributable to the presence of any Hazardous Materials on or in the Premises, the Building or the Property (i) which were present prior to the Date of Lease and which require remedial action under applicable Environmental Laws, or (ii) which are generated, stored, treated, handled, transported, disposed of or released by Landlord or any employee, agent or contractor of Landlord at any time and which require remedial action under applicable Environmental Laws.

(i)The provisions of this Section 9.04 shall survive for a period of three (3) years after the expiration of the Term or the earlier termination of this Lease.

(j)Reference is made to Section 10.07 for provisions relating to the decommissioning of the Premises by Tenant upon the expiration of the Term or the earlier expiration of this Lease.

9.05.Signs. Except as expressly otherwise provided in this Section and except for the Initial Tenant Work, no sign, antenna or other structure or thing shall be erected or placed on the Premises or any part of the exterior of the Building or erected anywhere on the Property so as to be visible from the exterior of the Building, without first securing the written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. Landlord, at Landlord's cost, shall provide building standard signage within the Building lobby identifying Tenant. Landlord shall also provide to Tenant Tenant's Pro Rata Share of entries on any Building directory maintained by Landlord within the Building from time to time. Tenant shall not install any exterior signage on the facade of the Building or elsewhere on the Property, nor shall Tenant install any monument sign or any name or logo plate on any monument sign which is from time to time installed by Landlord.

9.06.Landlord's Access. Subject to the provisions of this Section, Landlord or its agents may enter the Premises at all reasonable times to show the Premises to potential buyers, investors, tenants (but with respect to potential tenants, only in the final twelve (12) months of the Term) or other parties; to inspect and conduct tests in order to monitor Tenant's compliance with Legal Requirements governing Hazardous Materials in accordance with and subject to Section 9.04; for purposes described in Sections 2.01, 9.04, 10.03 and/or 10.04(b); or for any other purpose Landlord reasonably deems necessary. No prospective lender, purchaser, or tenant claiming through Landlord shall be permitted access to the Premises without a representative of Landlord

present. Except in the event of an emergency posing an imminent threat of personal injury or damage to the Property (in which event notice shall be provided as soon as reasonably practicable), and except as otherwise expressly provided in this Lease, Landlord shall give Tenant at least one (1) Business Day's prior notice (which may be oral) of any entry by Landlord into the Premises. Notwithstanding the foregoing, in case of emergency, Landlord may enter any part of the Premises without prior notice to Tenant provided that Landlord provides Tenant with notice of such entry as soon as reasonably possible thereafter. Landlord shall use commercially reasonable efforts not to interfere with Tenant's use and occupancy of the Premises when exercising Landlord's rights under this paragraph. Landlord agrees to comply with Tenant's reasonable requirements (including without limitation requirements in connection with access, health, safety, and/or security checks) in connection with non-emergency access to the Premises to the extent to which the same are consistent with the provisions of this Section and have been provided to Landlord in writing prior to any such entry. Upon request by Tenant, Landlord and any parties who are given access to the above-described secured areas shall enter into reasonable confidentiality agreements with Tenant, in form reasonably acceptable to both Landlord and Tenant, prior to such access (except in the event of an emergency, in which event Landlord shall verbally inform the accessing parties that they are obligated to keep all information of Tenant and regarding such secured areas of the Premises confidential and Landlord shall sign such confidentiality agreement (and shall make commercially reasonable efforts to cause such other accessing parties to sign such confidentiality agreement) promptly thereafter).

9.07.Landlord's Rules and Regulations. Tenant and all Tenant Parties shall comply with Landlord's rules and regulations (the "**Rules and Regulations**") promulgated (and amended from time to time) with respect to the occupancy and use of the Building and the Property and of general applicability to all tenants of the Building and the Property (as well as all Rules and Regulations which are applicable only to all tenants which are using their leased premises for purposes similar to Tenant), provided that (i) Tenant receives reasonable prior written notice of such Rules and Regulations, and (ii) the same are not inconsistent with the provisions of this Lease. All of Landlord's Rules and Regulations shall be administered in an even handed manner among all occupants of the Building using their leased premises for similar purposes. Landlord's initial Rules and Regulations are set forth in Exhibit G attached hereto. The Rules and Regulations may also include, if any portion of the Building is being used as an animal facility at any time, provisions specifically relating thereto. Except as otherwise expressly provided in this Lease, nothing contained in this Lease shall be construed to impose upon Landlord any duty or obligation to enforce the Rules and Regulations or the terms, covenants or conditions in any other lease as against any other tenant and Landlord shall not be liable to Tenant for violation of the same by any other tenant or such other tenant's servants, employees, agents, contractors, visitors, invitees or licensees.

9.08.Compliance With Insurance Requirements. Tenant and all Tenant Parties shall at all times comply with the terms of any policy of insurance maintained by Landlord or Tenant and applicable to the Property or the Premises or any portion of either, and all requirements of the issuer of any such policy (in each case, with respect to insurance policies maintained by Landlord, to the extent Landlord has provided written notice to Tenant of the requirements of such policy(is) or issuer(s)), and all orders, rules, regulations and other requirements of the National Board of Fire Underwriters (or any other body exercising similar functions) (collectively, "**Insurance Requirements**").

9.09.Floor Load; Heavy Machinery. Tenant shall not place a load upon any floor of the Premises exceeding the floor load per square foot of area which such floor was designed to carry, which is one hundred (100) pounds per square foot, and which is allowed by law. Tenant acknowledges receipt from Landlord of the foregoing floor load information. Landlord reserves the right to reasonably prescribe the weight and position of all heavy machinery and mechanical equipment, which shall be placed so as to distribute the weight. Heavy machinery and mechanical equipment shall be placed and maintained by Tenant at Tenant's expense in settings sufficient in Landlord's reasonable judgment to absorb and prevent vibration, noise and annoyance to other tenants in the Building. Tenant shall not move any heavy machinery, heavy equipment, freight, bulky matter, or fixtures into or out of the Building without Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. If such machinery, equipment, freight, bulky matter or fixtures requires special handling, Tenant agrees to employ only persons holding a Master Rigger's License to do said work, and that all work in connection therewith shall comply with applicable Legal Requirements. Any such moving shall be at the sole risk and hazard of Tenant and, subject to Section 8.03, Tenant will defend, indemnify and hold Landlord harmless against and from any liability, loss, injury, claim or suit resulting directly or indirectly from such moving, except to the extent caused by the negligence or willful misconduct of Landlord or its employees, agents or contractors. Proper placement of all such heavy machinery and mechanical equipment in the Premises shall be Tenant's responsibility except to the extent that such placement was required or directed by Landlord or its employee, contractor or agent hereunder.

9.10.LEED/Energy Conservation Measures. Tenant acknowledges that Landlord has obtained Gold certification for the Building core and shell under the Leadership in Energy and Environmental Design Core & Shell program ("**LEED-CS**"). Tenant further acknowledges and agrees that such certification will require Tenant to comply with the following requirements in connection with the design, construction, use and operation of its Premises:

(1) **Mandatory Leadership in Energy and Environmental Design (LEED) Tenant Compliance.** Tenant shall meet the following design and construction requirements in support of and in compliance with the LEED-CS prerequisites and credits attempted within the base-building LEED-CS certification application:

a. **EAp3 Fundamental Refrigerant Management**: Any additional HVAC & Refrigeration equipment and/or systems installed by Tenant must comply with the following: "*zero use of chlorofluorocarbon (CFC)-based refrigerants in new heating, ventilating, air conditioning and refrigeration (HVAC&R) systems. Small HVAC units (defined as containing less than 0.5 pounds (228 grams) of refrigerant) and other equipment, such as standard refrigerators, small water coolers and any other equipment that contains less than 0.5 pounds (228 grams) of refrigerant, are not subject to the requirements of this prerequisite*".

b. **IEQp1 Minimum Air Quality Performance**: All mechanical ventilation systems installed by Tenant must "meet the minimum requirements of Sections 4 through 7 of ASHRAE Standard 62.1-2007, Ventilation for Acceptable Indoor Air Quality. Mechanical ventilation systems must be designed using the

ventilation rate procedure or the applicable local code, whichever is more stringent." Compliance must be demonstrated through calculations performed in alignment with the Ventilation Rate Procedure methodology as per section 6.2 of the ASHRAE 62.1-2007 standard.

c. IEQp2 Environmental Tobacco Smoke Control (ETS): Tenant is required to "Prohibit smoking in the building. Prohibit on-property smoking within 25 feet (8 meters) of entries, outdoor air intakes and operable windows. Provide signage to allow smoking in designated areas, prohibit smoking in designated areas or prohibit smoking on the entire property."

(2) **Mandatory Tenant Energy Conservation Measures (ECMs).** Tenant shall adhere to the following performance requirements to support and align with the Energy Conservation Measures incorporated in the base-building Core and Shell building systems and building envelope design and the LEED-CS whole building energy model:

a. Lighting Power Density: The installed interior lighting power in the Premises must be designed to be equal to or less than 0.75 Watts/SF using the Building Area Calculation Method as referenced in ASHRAE 90.1-2007.

b. Lighting Controls: Office tenants are required to provide the following lighting controls:

- **Daylight dimming**: The Premises shall be designed to meet the following daylight dimming requirements:
  - Automatic daylight harvesting controls must be provided in all tenant spaces that are within 15 ft of the exterior walls.
  - All lighting in these areas must be automatically controlled based on available daylight and is dimmed from 100% to 30% of the light output with a proportional power input reduction (from 100% to 30% of the power input).
  - The light level setpoint shall be 50 fc at a horizontal plane that is 2.5 ft above the floor.
- **Occupancy Sensors on Lighting**: Occupancy sensors must be provided for light control in all tenant spaces.

Beyond adhering to the requirements of the above listed LEED-CS prerequisites and credits, Tenant, at its option and at its own cost and expense, may elect to pursue third party certification under the LEED 2009 program for Commercial Interiors. Even if third-party certification is not pursued, Tenant shall be required to comply with the aforementioned LEED prerequisites and credits.

9.11.Emergency Generator .

(a)Subject to Landlord's prior written approval of the design and specifications therefor (which approval shall not be unreasonably withheld, conditioned or delayed), Tenant shall have the right, at its sole cost and expense (except to the extent to which the installation cost thereof is paid through the Landlord's Allowance), to install, operate, repair, maintain and replace a back-up generator reasonably necessary for Tenant's use of the Premises for the Permitted Use, including natural gas or fuel supply and tank reasonably necessary therefor (not to exceed applicable code requirements), and all reasonably necessary cabling and related appurtenances (collectively, the "**Generator**"), in a location on the roof of the West Wing of the Building or elsewhere in or around the Building or the Parking Facilities, in all events as agreed upon by the parties. Landlord shall also provide access to existing chases, conduits and sleeves (or permit Tenant to install same at Tenant's expense, reimbursable by the Landlord's Allowance) for the delivery of power from such generator to the appropriate locations within the Premises. If the Generator is to be located on the roof of the Building (i) the Generator shall be screened from view in a manner reasonably acceptable to Landlord (at Tenant's sole cost and expense) and (ii) all work relating to the Generator to be performed on or affecting the roof of the Building shall, at Landlord's request, be coordinated with Landlord's roofing contractor so as not to void any warranty for the roof.

(b)No Rent shall be charged to Tenant for the area to be occupied by the Generator and the areas required to connect the Generator to the appropriate locations within the Premises (but if the Generator occupies any parking spaces in the Parking Facilities, such spaces shall reduce the Parking Allotment by the number of such occupied spaces). Tenant will be solely responsible for all utility charges incurred with respect to the Generator, as separately metered (at Tenant's expense).

(c)Except to the extent the Generator is installed as part of the Initial Tenant Work in accordance with the provisions of the Work Letter, installation of the Generator and any related cabling, conduit and appurtenances will be governed by the applicable provisions of this Lease relating to Tenant Work. If plans therefor are not submitted with plans for Tenant's improvements under the Work Letter, Tenant will submit to Landlord at least thirty (30) days prior to the proposed installation date(s) Tenant's proposed plans and specifications relating to the installation, operation and use of the Generator and all associated lines. Tenant may not commence any work to install a Generator until it has received Landlord's prior written approval (not to be unreasonably withheld, delayed or conditioned) of such plans and specifications. Tenant, at its sole cost and expense, shall comply with all applicable Legal Requirements and restrictive covenants affecting the Property and Landlord's reasonable directives relating to the installation, operation, maintenance and repair of the Generator, including, but not limited to (i) obtaining and maintaining (or causing to be obtained and maintained) and complying with the provisions of all applicable permits required for the installation, operation, maintenance and repair of the Generator, (ii) implementing spill prevention control and countermeasures and containment plan(s) (as required by federal, state, or local regulations) or best management practices plan(s), (iii) providing evidence of insurance covering such facilities, and (iv) maintaining and inspecting such facilities and related equipment and keeping records related thereto. Tenant will maintain and repair the Generator in good operating condition throughout the Term, at Tenant's sole cost and expense. Any replacement (excluding insured casualty), all maintenance and repair of the Generator and all governmental compliance required in connection with the Generator will be Tenant's sole responsibility and Tenant's sole cost and expense; *provided, however,* if Tenant fails to commence

such maintenance and repair within thirty (30) days (unless an emergency exists, in which event Tenant shall promptly commence such curative work and thereafter diligently prosecute the same to completion) after written notice from Landlord and thereafter diligently prosecutes the same to completion, then Landlord may elect to perform such maintenance at Tenant's sole cost and expense. Upon Landlord's request, Tenant will promptly provide Landlord with copies of all records relating to (i) the installation, operation, maintenance and repair of the Generator, and (ii) the compliance of the Generator with any applicable Legal Requirements.

(d)Tenant may not use the Generator for any purpose other than solely in connection with Tenant's occupancy of the Premises for the Permitted Use and in accordance with any applicable permit(s) pertaining to the Generator. Tenant may not use the Generator to serve other occupant(s) of the Property. This provision does not modify Tenant's permitted use of the Premises, and does not relieve Tenant of any environmental liability under this Lease.

(e)At any time within ninety (90) days prior to the expiration of the Term, or earlier termination of this Lease, Landlord may, at Tenant's cost and expense, cause a qualified environmental consultant reasonably acceptable to Landlord and Tenant to perform an environmental investigation to determine whether a release of any Hazardous Materials has occurred during the Term of this Lease with respect to the Generator. Within thirty (30) days following the expiration of the Term or the earlier termination of this Lease, Tenant may elect (but shall not be required) to remove the Generator, but if Tenant elects to do so, Tenant shall promptly (i) remove the Generator (and any related fuel tanks, conduit, fuel lines, cabling and other appurtenances associated therewith), (ii) restore the affected areas to their original condition prior to the installation of the Generator, in accordance with plans and specifications reasonably acceptable to Landlord and all applicable Legal Requirements, and (iii) repair any damage to the Premises or the Property caused by the removal of the Generator. Tenant shall perform any required environmental remediation for the release of any Hazardous Materials in connection with the Generator caused by Tenant or any Tenant Party during the Term of this Lease in accordance with applicable Legal Requirements, all at Tenant's sole cost and expense. If the environmental investigation performed by the environmental consultant as provided above confirms the release of any Hazardous Materials caused by Tenant or any Tenant Party in connection with the Generator, Tenant must thereafter perform any clean up or remediation required by applicable Legal Requirements and in accordance with applicable Legal Requirements, and document with a report prepared by a qualified environmental consultant reasonably approved by Landlord, evidencing either no impact to soil and groundwater exceeding state cleanup criteria for the use of the site, or that any impacted soil or groundwater has been remediated in a manner and to a level meeting the applicable state cleanup criteria, together with any applicable state assurance or closure.

(f)Tenant will promptly report to Landlord any spill or release and any written citations or notices of violation of any Legal Requirements received by Tenant in connection with the Generator, and will provide Landlord with copies thereof. Such notification to Landlord will not relieve Tenant from its obligations to notify governmental agencies. Any cleanup or remediation will be completed by Tenant in accordance with applicable Environmental Laws and in a manner and to a level meeting the applicable state cleanup criteria, together with any applicable state assurance or closure.

(g)Tenant shall make annual inspections, at Tenant's expense, to ensure regulatory compliance and the proper operation, maintenance and repair of the Generator, and will forward copies of such inspection reports to Landlord promptly following receipt of Landlord's written request(s) therefor.

9.12.Rooftop Rights .

(a)Tenant shall be permitted, in locations on the roof of the West Wing of the Building as approved by Landlord in writing in advance, to install, operate, maintain, repair and remove, or Landlord may install on behalf of Tenant, all at Tenant's sole cost and expense and for use solely by Tenant in connection with its business operations conducted in the Premises and not for use by non-occupant third parties, (i) telecommunications and data processing equipment (including but not limited to satellite dishes, generators, cell boosters and antennae), and related wiring from the roof to the interior portions of the Premises to the extent reasonably necessary (collectively, the "**Rooftop Communications Equipment**"), and (ii) such supplementary HVAC and other equipment serving solely the Premises, consistent with Tenant's use of the Premises (collectively, with the Rooftop Communications Equipment, the "**Rooftop Equipment**"), provided the same complies with all Legal Requirements. The Rooftop Equipment shall be screened from view in a manner reasonably acceptable to Landlord, at Tenant's sole cost and expense. During the Term, Tenant shall not be required to pay any monthly rental or license fee with respect to Tenant's Rooftop Space or any of the Rooftop Equipment or any chases, conduits or sleeves in connection therewith. Tenant shall be responsible for all costs and expenses associated with or relating to the Rooftop Equipment, including installation, operation, maintenance, use, removal and insuring of the Rooftop Equipment (same being deemed Tenant's personal property for purposes of this Lease), it being understood that costs of any such installation as part of Tenant's Initial Tenant Work may be reimbursed from Landlord's Allowance, and shall reimburse Landlord any reasonable, actual out-of-pocket costs incurred by Landlord in connection therewith, including, but not limited to any costs for electric power and HVAC (if any) that Tenant uses in the Building for the Rooftop Equipment, as separately metered. Landlord shall have the right to permit other tenants of the Building to lease space on the roof of the Building for such other party's own rooftop antennae, satellite dishes and other telecommunications equipment to be used in the conduct of such tenant's business operations in the Building and not elsewhere, provided that (i) Tenant shall continue to have full access to the Rooftop Equipment, (ii) Tenant's right to install, use, improve, add to and replace Rooftop Equipment shall be non-exclusive and shall be shared on a pro rata basis with any such rights granted to other tenant(s) in the Buildings, (iii) Landlord shall not install, and shall prohibit the installation and/or operation by any other party of, any additional microwave dishes/earth satellite disks, antennae, towers and/or other structures on the Roof which would, in Tenant's reasonable judgment, interfere with Tenant's use of the Rooftop Equipment which is then in place and should such interference occur, Landlord shall require the relocation of any subsequently installed interfering equipment.

(b)Prior to installing any Rooftop Equipment, Tenant shall submit to Landlord for its approval (which approval shall not be unreasonably withheld, delayed or conditioned) plans and specifications that (i) specify in detail the design, location, size (and, with respect to Rooftop Communications Equipment, the frequency) of the Rooftop Equipment and (ii) are sufficiently detailed to allow for the installation of the Rooftop Equipment in a good and workmanlike manner and in accordance with all Legal Requirements. Following Landlord's approval of such plans,

Tenant shall obtain all permits required for the installation and operation, thereof, and copies of all such permits must be submitted to Landlord before Tenant begins to install the Rooftop Equipment. Tenant shall be permitted to select a contractor of its choice to undertake the installation of the Rooftop Equipment, subject to Landlord's approval (which approval shall not be unreasonably withheld, delayed or conditioned). Tenant shall install all Rooftop Equipment in a good and workmanlike manner, and shall maintain and use the Rooftop Equipment in accordance with all applicable Legal Requirements. Tenant shall also have the right to use existing conduit and sleeving if available, or to install reasonably necessary conduit and sleeving from the roof to the points of connection within the Premises. Tenant shall be responsible for all costs of installation (including structural reinforcing or modifications required to be made to the roof in order to support Tenant's Rooftop Equipment), repair, maintenance and removal with respect to the Rooftop Equipment. Tenant shall thereafter maintain all permits necessary for the maintenance and operation of the Rooftop Equipment while it is on the Property. Tenant shall maintain the Rooftop Equipment in good repair and condition and in such a manner so as not to interfere in any material respect with any other satellite, antennae or other transmission facility on the roof or elsewhere in the Building which was installed and operating prior to Tenant's installation of the Rooftop Equipment which is claimed to be causing such interference. Tenant shall repair any damage to the Building caused by or relating to the Rooftop Equipment, including that which is caused by its installation, maintenance, use or removal, and Tenant shall reimburse Landlord for any actual out-of-pocket costs and expenses incurred by Landlord for any actual damage to the Property, including any damage resulting from penetrations of the roof with respect to such installation, maintenance or use.

(c)All work relating to the Rooftop Equipment shall, at Landlord's request, be coordinated with Landlord's roofing contractor so as not to void any warranty for the roof.

ARTICLE 10: CONDITION AND MAINTENANCE OF PREMISES AND PROPERTY

10.01.Existing Conditions. Tenant acknowledges that except for any express representations contained in this Lease, neither Landlord nor any person acting under or on behalf of Landlord has made any representation as to the condition of the Premises, the Building or the Property, or the suitability of the Premises, the Building or the Property for Tenant's intended use. Tenant represents and warrants that Tenant has made its own inspection and inquiry regarding the Premises, the Building and the Property and is not relying on any representations of Landlord or any broker or persons acting on behalf of Landlord other than as set forth in this Lease.

10.02.No Landlord Liability. Landlord shall not be liable for any damage or injury to the persons, property or business (including loss of revenue, profits or data) of Tenant or any Tenant Party, *provided, however,* that this Section 10.02 shall not exempt Landlord from liability for Landlord's negligence or willful misconduct or the negligence or willful misconduct of its agents, employees or contractors. This exemption shall apply whether such damage or injury is caused by (among other things): (i) fire, steam, electricity, water, gas, air, sewage, sewer gas or odors, snow, ice, frost or rain; (ii) the breakage, leakage, obstruction or other defects of pipes, faucets, sprinklers, wires, appliances, plumbing, windows, air conditioning or lighting fixtures or any other cause; (iii) explosion, electrical or electromagnetic emissions; (iv) any casualty or Taking; (v) theft; (vi) conditions in or about the Property or the Building; or (vii) any act or omission of any other tenant. Tenant hereby agrees that, to the maximum extent permitted by law,

all furniture, fixtures and property of every kind, nature and description of Tenant or any Tenant Party which may be in or upon the Premises, the Building or the Property, shall be at the sole risk and hazard of Tenant, and that if the whole or any part thereof shall be damaged, destroyed, stolen or removed from any cause or reason whatsoever, no part of said damage or loss shall be charged to, or borne by, Landlord, except to the extent caused by Landlord's negligence or willful misconduct or the negligence or willful misconduct of its agents, employees or contractors.

10.03.Landlord's Repair and Maintenance Obligations. Subject to the provisions of Section 16.09, and except for damage caused by fire, other casualty or taking (which is dealt with below), and damage caused by the act or omission of Tenant or any Tenant Party, Landlord shall, at its sole cost and expense and not to be reimbursed as Operating Expenses, maintain, repair and replace the foundation, roof (including the roof membrane), walls, floor slabs and other structural elements of the Building (excluding any structural elements added to the Building as part of the Initial Tenant Work or other Tenant Work, which shall be Tenant's responsibility), columns and beams, and exterior walls and windows of the Building, as well as the underground and under-slab plumbing lines serving the Building, so as to keep the same in good order, condition and repair, reasonable wear and tear excepted. Further subject to the provisions of Section 16.09, and except for damage caused by fire, other casualty or taking (which is dealt with below), and damage caused by the act or omission of Tenant or any Tenant Party, Landlord shall keep the Building Systems (including the HVAC, plumbing, electrical, mechanical, fire and life safety, and other systems serving the Premises in common with other portions of the Building, and the elevators), to the extent not serving exclusively either the Premises or another tenant's premises, and the common areas of the Building and the Property, in good order, condition and repair, reasonable wear and tear excepted. Landlord shall make any repairs or replacements to the Building, the Premises or the Property, to the extent such repair or replacement was necessitated by Landlord's negligence or willful misconduct or the negligence or willful misconduct of its agents, employers or contractors, or by Landlord's breach of its obligations hereunder, all at its sole cost and expense and not to be reimbursed as Operating Expenses. Landlord shall cause the common areas of the Building and the Property to be kept clean and free from rubbish and debris, and the paved portions of the common areas of the Property to be free from appreciable accumulation of ice and snow. Except to the extent caused by Landlord's negligence or willful misconduct or the negligence or willful misconduct of its agents, employees or contractors, or Landlord's breach of its obligations hereunder, Landlord shall not be obligated to maintain, repair or replace any interior windows, doors, plate glass interior to the Premises (but not external plate glass windows), or the surfaces of walls within the Premises, or any fixtures, components or equipment located within the Premises or elsewhere (in which latter case Landlord shall afford Tenant reasonable access thereto for purposes of performing such maintenance, repair or replacement) which serve the Premises exclusively, all of which shall be Tenant's obligation. Tenant shall promptly report to Landlord any defective condition known to it that Landlord is required by the provisions of this Section to repair. Tenant waives the benefit of any present or future law that provides Tenant the right to repair the Premises or the Property at Landlord's expense or to abate or reduce the Rent or to terminate this Lease because of the condition of the Property or the Premises to the extent such benefit of law may be waived by Tenant; *provided, however,* that the foregoing waiver shall not be deemed to waive any rights expressly granted to Tenant pursuant to the provisions of Section 6.03 of this Lease. Except as otherwise expressly provided in Section 6.03(b) or Article 11, Tenant shall not be entitled to any abatement of Rent, nor shall Landlord incur any liability, by reason of inconvenience, annoyance or injury to Tenant arising from any maintenance, repairs, alterations,

additions, replacements or improvements made by Landlord, or any related work undertaken by Landlord in accordance with the provisions of this Lease provided Landlord complies with the terms of Section 9.06 regarding access to the Premises and provided Landlord takes commercially reasonable steps to minimize any interference with Tenant's operations. The foregoing shall not limit Tenant's rights under Article 11. All costs and expenses incurred by Landlord in connection with the performance of any obligation set forth in this Section 10.03 other than the first sentence hereof shall be included in Operating Expenses except to the extent otherwise expressly provided above in this Section or elsewhere in this Lease.

Throughout the Term, Landlord shall maintain a bicycle storage area available for use by Tenant and others entitled thereto, comparable to the existing bicycle storage area in the Building for Tenant's use (in common with other occupants of the Building).

10.04.Tenant's Obligations.

10.04(a) Repair and Maintenance. Except for work that Section 10.03 requires Landlord to do and subject to Section 16.09, Tenant, at its sole cost and expense: shall keep the Premises (including all Initial Tenant Work, other Tenant Work, Tenant's Property, and all fixtures, systems and equipment now or hereafter on the Premises or elsewhere that exclusively serve the Premises regardless of whether or not the same are part of a Building System), together with any interior windows, doors, interior plate glass, and the inner surfaces of walls within the Premises, in at least as good order, condition and repair as they are in on the Date of Lease or may be thereafter put in during the Term, reasonable wear and tear, damage caused by fire, other casualty or taking (which is dealt with below) and damage caused by the negligence or willful misconduct of Landlord, Landlord's agents, employees, or contractors excepted; shall keep in a secure and sanitary condition all trash and rubbish temporarily stored at the Premises; and shall make all repairs and replacements and do all other work necessary for the foregoing purposes, whether the same may be ordinary or extraordinary, foreseen or unforeseen. Without limitation, Tenant shall be responsible for the maintenance, repair and replacement of all plumbing, heating, ventilating and air-conditioning systems and other mechanical systems (whether or not part of the Building Systems) wherever located that exclusively serve the Premises, and Tenant shall secure, pay for, and keep in force contracts with appropriate and reputable service companies approved by Landlord (which approval shall not be unreasonably withheld, conditioned or delayed) providing for the regular maintenance of such systems to the extent that such systems exclusively serve the Premises. All repairs and replacements required to be made by Tenant hereunder shall be equal in quality and class to the original work. No storage shall be permitted outside of the Premises except as otherwise expressly provided in this Lease.

10.04(b) Landlord's Right to Cure. If Tenant does not perform any of its obligations under Section 10.04(a), Landlord upon fifteen (15) days' prior notice to Tenant (or in the case of an emergency, with notice provided as soon as reasonably practicable) may perform such maintenance, repair or replacement on Tenant's behalf, and Tenant shall reimburse Landlord, as Additional Rent, for all costs reasonably incurred, together with an Administrative Charge (as defined in Section 13.02(e)), immediately upon demand.

10.05.Tenant Work

10.05(a) General. "**Tenant Work**" shall mean all work, demolition, installations, improvements, additions and alterations made by or on behalf of Tenant in or to the Premises or, when expressly permitted by Landlord in advance, on or to any other portion of the Property. Without limitation, Tenant Work includes any penetrations in the walls, partitions, ceilings or floors and all attached carpeting, all signs visible from the exterior of the Premises, and all changes in the exterior appearance of the windows of the Premises (including shades, curtains and the like). All Tenant Work shall be subject to Landlord's prior written approval (which approval shall not be unreasonably withheld, conditioned, or delayed) and shall be arranged and paid for by Tenant, all as provided herein; *provided that* any interior non-structural Tenant Work (including any series of related Tenant Work projects) that (a) costs less than the "**Tenant Work Threshold Amount**" (which shall be $50,000 in each instance or series of related projects, *provided that* from and after the point at which the aggregate cost of Tenant Work proposed by Tenant in any Lease Year exceeds $100,000, all Tenant Work proposed during such Lease Year shall be deemed to exceed the Tenant Work Threshold Amount and shall require Landlord's prior written approval), and (b) does not materially adversely affect any structural component of the Building, or any elevators, fire-safety, telecommunications, curtain wall, electrical, heating, ventilation, plumbing or any other mechanical system of the Building (collectively, the "**Building Systems**"), (c) does not materially adversely affect any penetrations in or otherwise materially adversely affect any walls, floors, roofs, or other structural elements of the Building, or the curtain wall, and (d) does not include any signs visible from the exterior of the Premises or any change in the exterior appearance of the windows in the Premises (including shades, curtains and the like) shall not require Landlord's prior approval if Tenant delivers the Construction Documents (as defined in Section 10.05(b)) for such work to Landlord at least five (5) Business Days' prior to commencing such work. Without limiting Landlord's rights hereunder, Landlord shall not be deemed unreasonable for withholding its approval as to any Tenant Work which would require unusual expense to re-adapt the Premises or any portion thereof to normal office use or typical laboratory use upon the termination or expiration of this Lease. In any event, non-structural cosmetic work such as painting, carpeting and wall coverings ("**Cosmetic Work**") shall not require Landlord's consent or be included in the calculation of the Tenant Work Threshold, and no prior notice to Landlord of such work is required. Whether or not Landlord's approval is required, Tenant shall neither propose nor effect any Tenant Work that in Landlord's reasonable judgment (i) adversely affects any structural component of the Building, (ii) materially and adversely affects any Building System, (iii) affects the exterior or the exterior appearance of the Building or common areas within or around the Building or other property than the Premises, (iv) includes the installation of equipment that will have an unreasonable acoustic impact on other tenants of the Building when compared to similar equipment in first-class office and laboratory buildings, (v) diminishes the value of the Premises, the Building or the Property, or (vi) requires any unusual expense to readapt the Premises for use by a future occupant for the Permitted Uses. Any disputes regarding the scope and estimated cost of the work necessary to readapt the Premises for the Permitted Uses shall be resolved pursuant to Section 16.17. Prior to commencing any Tenant Work affecting air disbursement from ventilation systems serving the Premises, including the installation of Tenant's exhaust systems, Tenant shall provide Landlord with a third-party report from a consultant, and in a form, reasonably acceptable to Landlord, showing that such work will not adversely affect the ventilation systems of the Building (or of any other tenant in the Building) and shall, upon completion of such work, provide Landlord with a certification reasonably satisfactory to Landlord from such consultant confirming that no such adverse effects have resulted from such work. Landlord shall have the right to require Tenant to provide to Landlord from time to time while Tenant's Work is being performed, periodic lien waivers in statutory form from Tenant's Contractor and such subcontractors and suppliers as Landlord may designate from time to time.

10.05(b) Construction Documents. No Tenant Work, other than Cosmetic Work, shall be effected except in accordance with complete, coordinated construction drawings and specifications ("**Construction Documents**") prepared in accordance with Exhibit H attached hereto. Before commencing any Tenant Work requiring Landlord's approval hereunder, Tenant shall obtain Landlord's prior written approval of the Construction Documents for such work, which approval shall not be unreasonably withheld, conditioned or delayed. Landlord shall be given a reasonable opportunity to consult with Tenant and review plans for any work under this Lease requiring Landlord's consent as they are being prepared. The Construction Documents shall be prepared by an architect ("**Tenant's Architect**") registered in the Commonwealth of Massachusetts and experienced in the construction of tenant space improvements in comparable buildings in the area where the Premises are located and, if the value of such Tenant Work will equal or exceed the Tenant Work Threshold Amount or will affect any Building System, the identity of Tenant's Architect (and also engineers if such work will affect any Building System) shall be approved by Landlord in advance, such approval not to be unreasonably withheld, conditioned or delayed. Tenant shall be solely responsible for the liabilities associated with and expenses of all architectural and engineering services relating to Tenant Work and for the adequacy, accuracy, and completeness of the Construction Documents even if approved by Landlord (and even if Tenant's Architect has been otherwise engaged by Landlord in connection with the Base Building Work or the Initial Tenant Work). The Construction Documents shall set forth in reasonable detail the requirements for construction of the Tenant Work and shall show all work necessary to complete the Tenant Work, including all cutting, fitting, and patching and all connections to the mechanical, electrical, and plumbing systems and components of the Building. Submission of the Construction Documents to Landlord for approval shall be deemed a warranty by Tenant that all Tenant Work described in the Construction Documents (i) complies with all applicable Legal Requirements, (ii) does not materially adversely affect any structural component of the Building, (iii) is compatible with and does not materially adversely affect the Building Systems, (iv) does not materially and adversely affect any property other than the Premises, (v) conforms to floor loading limits specified by Landlord in this Lease, and (vi) with respect to all materials, equipment and special designs, processes or products, to Tenant's knowledge and that of Tenant's Architect, does not infringe on any patent or other proprietary rights of others. The Construction Documents shall comply with Landlord's requirements for the uniform exterior appearance of the Building, including the use of Building standard window blinds and Building standard light fixtures. Landlord's approval of Construction Documents shall signify only Landlord's consent to the Tenant Work shown and shall not result in any responsibility of Landlord concerning compliance of the Tenant Work with any Legal Requirements, or coordination or compatibility with any Building System or component thereof or of the Building, or the feasibility of constructing the Tenant Work without damage or harm to the Building, all of which shall be the sole responsibility of Tenant. Landlord hereby represents to

Tenant that the Base Building Work performed prior to the date of this Lease complies in all material respects with all applicable Legal Requirements.

If, as a result of any Tenant Work performed or proposed to be performed by Tenant, Landlord is or will be obligated to make an improvement or alteration to the Building or Property to comply with any Legal Requirement (including the Americans With Disabilities Act) which

was not previously applicable to the Premises or the Building (or which was previously applicable in a different manner or to a different extent), then (i) when Landlord makes such determination prior to the performance of such Tenant Work, as a condition to Landlord's consent, Landlord shall have the right to require Tenant to pay to Landlord prior to the performance of such Tenant Work, the entire cost of any improvement or alteration Landlord is obligated to complete by such Legal Requirement because of such Tenant Work, or (ii) when Landlord makes such determination after such Tenant Work has commenced (regardless of whether or not the same has been completed), Tenant shall pay to Landlord, as Additional Rent, within thirty (30) days of demand therefor by Landlord, the entire cost of any improvement or alteration Landlord is obligated to complete by reason of such Legal Requirement to the extent caused by such Tenant Work.

10.05(c) Performance. The identity of any person or entity (including any employee or agent of Tenant) performing any Tenant Work ("**Tenant Contractor**") requiring Landlord's approval hereunder shall be subject to Landlord's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed. Once any Tenant Contractor has been approved, the same Tenant Contractor may thereafter be used by Tenant for the same type of work without the need for subsequent Landlord approvals until Landlord notifies Tenant that such Tenant Contractor is no longer approved. Tenant shall procure at Tenant's expense all necessary permits and licenses (and shall provide copies thereof to Landlord) before undertaking any Tenant Work, but shall not take any plans for Tenant Work to any governmental authority for review or approval without Landlord's prior written authorization in each instance (which prior authorization shall not be unreasonably withheld, conditioned or delayed). Tenant shall perform (or shall cause Tenant's Contractor to perform) all Tenant Work at Tenant's risk, in compliance with the Rules and Regulations and all applicable Legal Requirements and Insurance Requirements, and in a good and workmanlike manner, employing materials of good quality and producing a result at least equal in quality to the other parts of the Premises. When any Tenant Work is in progress, Tenant shall cause to be maintained insurance as described in the Tenant Work Insurance Schedule attached hereto as Exhibit I and such other insurance as may be reasonably required by Landlord covering any additional hazards due to such Tenant Work. If the cost of any Tenant Work exceeds the Tenant Work Threshold Amount, Tenant shall provide to Landlord such bonds or other assurances of satisfactory completion and payment as Landlord may reasonably require, in each case for the benefit of Landlord. If the Tenant Work in any instance requires Landlord's approval hereunder, Tenant shall reimburse Landlord within thirty (30) days of demand, as Additional Rent, for its reasonable third-party out-of-pocket costs of reviewing the proposed Tenant Work and inspecting the performance of such work (as well as all costs imposed upon Landlord by any mortgagee which reviews and/or inspects the same). During the performance of any Tenant Work, representatives of Tenant and Landlord shall meet periodically (not less frequently than monthly) to review and discuss the progress of the work and the schedule for the performance of the remaining work.

Each Tenant Contractor shall do nothing to impair any guaranties or warranties applicable to any portion or component of the Building or the Property, of which Tenant has requested copies and which Landlord has provided to Tenant, and shall take all steps reasonably necessary to avoid delaying or otherwise interfering with the work of any contractor of Landlord or of any other tenant. Each Tenant Contractor working on the roof of the Building shall coordinate with Landlord's roofing contractor, shall comply with its requirements and shall not violate existing roof warranties as provided by Landlord upon Tenant's request therefor. Subject to Section 8.03,

Tenant shall indemnify and hold the Indemnitees harmless from any claim, loss or expense based upon injury to persons or damage to property to the extent arising from the act or omission of Tenant's Contractor or any subcontractor or supplier of any tier, while on or about the Premises or the Property, except to the extent caused by the negligence or willful misconduct of Landlord or Landlord's agents, employees or contractors.

10.05(d) Payment. Tenant shall pay the entire cost of all Tenant Work so that the Premises, including Tenant's leasehold, shall always be free of liens for labor or materials; *provided, however,* that in the event that there is a dispute over whether payment is due and payable, Tenant may withhold payment so long as it files and records a bond sufficient to discharge any potential lien arising from the dispute or other security acceptable to Landlord and its mortgagees in their reasonable discretion within ten (10) Business Days after Tenant has notice (from any source) of such dispute. If any such lien is filed that is claimed to be attributable to Tenant or persons acting under Tenant, then Tenant shall promptly (and always within ten (10) Business Days) discharge the same by payment or filing any necessary bond. In the event that Tenant fails to discharge such lien within the time period set forth above, Landlord shall have the right, but not the obligation, to bond over or otherwise discharge such lien as further set forth in Section 13.02 of this Lease; *provided, however,* that no notice or cure period shall apply. In such case Tenant shall pay Landlord's reasonable out-of-pocket costs of discharging such lien within ten (10) Business Days of demand as Additional Rent.

10.05(e) Other. Tenant must schedule and coordinate all aspects of work with the Building manager or other person or persons designated from time to time by Landlord, and shall make prior arrangements for elevator or temporary hoist use. Landlord shall provide Tenant and all other tenants requiring the use of freight elevators and temporary hoists with joint access and the parties shall use reasonable efforts to coordinate such joint access to avoid conflicts. If an operating engineer is required by any union regulations, Tenant shall pay its proportionate share for such engineer based on use by Tenant, Landlord or others. If shutdown of risers and mains for electrical, mechanical or plumbing work is required, such work shall be supervised by Landlord's representative at Tenant's cost. If special security arrangements must be made (e.g., in connection with work outside Normal Business Hours), Tenant shall pay the actual out-of-pocket cost to Landlord of such security. No work shall be performed in Building mechanical or electrical equipment rooms without Landlord's approval, which approval shall not be unreasonably withheld, conditioned or delayed, and all such work shall be performed under Landlord's supervision. Except in case of emergency, at least five (5) days' prior notice must be given to the Building manager prior to the proposed shutdown of fire, sprinkler or other alarm systems, and in case of emergency, prompt notice shall be given. In the event that such work unintentionally alerts the Fire or Police Department or any private alarm monitoring company through an alarm signal, Tenant shall be liable for any fees or charges levied by the Fire or Police Department or any private alarm monitoring company in connection with such alarm to the extent such alert was caused by any act or omission of Tenant or any Tenant Party. All demolition, installations, removals or other work that is reasonably likely to inconvenience other tenants of the Property or disturb Property operations must be scheduled with the Building manager at least five (5) days in advance.

Any requirements of any Tenant Contractor for services from Landlord or Landlord's Contractor, such as hoisting, electrical or mechanical needs, shall be paid for within thirty (30) days of billing after such costs are incurred, and arranged between such Tenant Contractor and

Landlord or Landlord's contractor. Tenant shall cause each Tenant Contractor performing work on the Premises to clean up regularly and remove its debris from the Premises and Property. If any Tenant Contractor fails so to clean up debris from Tenant's Work, then Landlord may, after giving Tenant at least twenty-four (24) hours' prior written notice, cause its contractor to clean up and remove debris, and Tenant shall pay the reasonable out-of-pocket costs of such cleanup and removal upon demand.

Each Tenant Contractor (and all subcontractors thereof) shall take all reasonable steps to assure that any work is carried out without disruption from labor disputes arising from whatever cause, including disputes concerning union jurisdiction and the affiliation of workers employed by said Tenant Contractor or its subcontractors. Tenant shall be responsible for, and shall reimburse Landlord, as Additional Rent, for, all actual costs and expenses, including reasonable attorneys' fees and costs incurred by Landlord in connection with the breach by any Tenant Contractor (or any of its subcontractors) of such obligations. If Tenant does not promptly resolve any labor dispute caused by or relating to any Tenant Contractor (or any of its subcontractors), Landlord may in its sole discretion request that Tenant remove such Tenant Contractor (or subcontractor) from the Property, and if such Tenant Contractor (or subcontractor) is not promptly removed, Landlord may prohibit such Tenant Contractor or subcontractor from entering the Property.

Upon completion of any Tenant Work and as a condition of such completion, Tenant shall give to Landlord (i) a permanent certificate of occupancy (if one is legally required), and any other final governmental approvals required for such work, (ii) copies of "as built" plans (other than for Cosmetic Work), and (iii) proof of payment for all labor and materials in the form of a final statutory lien waiver from Tenant's Contractor and such subcontractors and suppliers as Landlord may reasonably require, or such other reasonable evidence of receipt of payment in full, as Landlord may reasonably require.

10.05(f) Removal at Conclusion of Term. Except as set forth in the last sentence of this paragraph below, any Tenant Work that is permanently affixed to the Premises or affixed in a manner so that it cannot be removed without causing other than incidental and repairable damage to the Premises shall become property of the Landlord at the termination of occupancy as provided herein and shall not be removed. If Landlord otherwise notifies Tenant in writing at the time Landlord approves plans for any Tenant Work (or, if Landlord's consent to the plans is not required, at the time Landlord receives notice of such work), Tenant shall remove such or all Tenant Work as so specified prior to the conclusion of the Term. Tenant Work that is not permanently affixed to the Premises and which may be removed with only incidental and/or repairable damage may be removed by Tenant, provided such disturbance or damage is restored and repaired so that the Premises are left in a clean and functional condition at least as good as they were in at the Term Commencement Date or as they may be put in thereafter, reasonable wear and tear, damage caused by fire, other casualty or taking, and damage caused by the negligence or willful misconduct of Landlord, Landlord's agents, employees, or contractors excepted.

10.05(g) Initial Tenant Work. The provisions of this Section 10.05 shall not apply to Initial Tenant Work except to the extent otherwise expressly provided in the Work Letter.

10.06.Condition upon Termination. At the expiration of the Term or the earlier termination of this Lease, Tenant (and all persons claiming by, through or under Tenant) shall

without the necessity of notice deliver the Premises (including all Initial Tenant Work, and all other Tenant Work to the extent provided in Section 10.05(f) of this Lease) broom-clean, in compliance with the requirements of Section 10.07 and in good order, repair and condition, excepting only damage caused by fire, other casualty, or taking, reasonable wear and tear, and damage caused by the negligence or willful misconduct of Landlord, or Landlord's agents, employees, or contractors. The Premises shall be surrendered to Landlord free and clear of any notice of contract or mechanic's liens (or any similar lien related to labor or materials) or other lien or encumbrance (excluding liens or encumbrances existing as of the date hereof and liens or encumbrances granted by Landlord or related to work performed by or for Landlord or any other third party) against any part of the Property or the Premises, equipment and/or any Initial Tenant Work or any other Tenant Work to be surrendered with the Premises arising out of or relating to any work performed or materials supplied to or for the benefit of Tenant or any Tenant Party in connection with the Premises. As part of such delivery, Tenant shall also provide all keys (or lock combinations, codes, access cards or electronic passes) to the Premises to Landlord; remove all signs installed or erected by or on behalf of Tenant or any Tenant Party wherever located; remove the equipment listed on Exhibit D attached hereto; and, except as set forth in Section 10.05(f), remove all Tenant's Property and other personal property whether or not bolted or otherwise attached. As used herein, "**Tenant's Property**" shall mean all trade fixtures, furnishings, equipment, inventory, cabling of any type, and other personal property owned by Tenant or any person acting under Tenant at the Premises. Without limiting the foregoing, in addition to all other items of Tenant's Property required to be removed under this Lease, Tenant shall remove the items of Tenant's Property listed on Exhibit D. Tenant shall repair all damage that results from such removal and restore the Premises substantially to a functional and tenantable condition (including the filling of all floor and wall holes, the removal of all disconnected wiring back to junction boxes and the replacement of all damaged ceiling tiles). Any property not so removed shall be deemed abandoned, shall as of the expiration of the Term or the earlier termination of this Lease become the property of Landlord, and may be disposed of in such manner as Landlord shall see fit; and Tenant shall pay the reasonable cost of removal and disposal to Landlord upon demand. The provisions of this Section shall survive the expiration of the Term or the earlier termination of this Lease.

10.07.Decommissioning of the Premises. Prior to the expiration of the Term (or within thirty (30) days after any earlier termination of this Lease), Tenant shall clean and otherwise decommission all interior surfaces (including floors, walls, ceilings, and counters), piping, supply lines, waste lines, tanks, and plumbing in or serving the Premises, and all exhaust or other ductwork in or serving the Premises, in each case that has carried, released or otherwise been exposed to any Hazardous Materials, and shall otherwise clean the Premises so as to permit the report hereinafter called for by this Section 10.07 to be issued. Prior to the expiration of the Term (or within thirty (30) days after any earlier termination of this Lease), Tenant, at Tenant's expense, shall obtain and provide to Landlord a report addressed to Landlord and Landlord's designees of which Landlord has given Tenant prior written notice, prepared by a reputable licensed environmental consultant or certified industrial hygienist that is designated by Tenant and acceptable to Landlord in Landlord's reasonable discretion, which report shall be based on such person's inspection of the Premises (including visual inspection, airborne and surface monitoring, and, if Tenant or any Tenant Party at any time stored or used any radioactive materials in the Premises, Geiger counter evaluation), and shall show:

(i)that the Hazardous Materials brought onto the Premises by or for the use by Tenant or any Tenant Party, if any, existing prior to such decommissioning, have been removed as necessary so that the interior surfaces of the Premises (including floors, walls, ceilings, and counters), piping, supply lines, waste lines, tanks, and plumbing, and all such exhaust or other ductwork in and/or serving the Premises, may be reused by a subsequent tenant or disposed of in compliance with applicable Environmental Laws without taking any special precautions for Hazardous Materials, without incurring special costs or undertaking special procedures for demolition, disposal, investigation, assessment, cleaning or removal of Hazardous Materials, and without (other than solely by reason of such subsequent tenant's use of, or activities associated with, Hazardous Materials) incurring regulatory compliance requirements or giving notice in connection with Hazardous Materials;

(ii)if Tenant or any Tenant Party at any time stored or used any radioactive materials in the Premises, that the Premises (and all piping, supply lines, waste lines, tanks, and plumbing, and all exhaust or other ductwork in and/or serving the Premises), have been decommissioned in accordance with the regulations of the U.S. Nuclear Regulatory Commission and/or the Massachusetts Department of Public Health for the control of radiation, and have accordingly been released for unrestricted use by the Radiation Control Program of the Massachusetts Department of Public Health for the control of radiation; and (iii)that the Premises may be reoccupied for office or laboratory use, demolished or renovated (other than solely by reason of such subsequent tenant's use of, or activities associated with, Hazardous Materials) without taking any special precautions for Hazardous Materials, without incurring special costs or undertaking special procedures for disposal, investigation, assessment, cleaning or removal of Hazardous Materials, and without incurring regulatory requirements or giving notice in connection with Hazardous Materials.

For purposes of the preceding clauses (i) and (iii) "special costs" or "special procedures" shall mean costs or procedures, as the case may be, that would not be incurred but for the nature of the Hazardous Materials introduced to the Premises by or for the use by Tenant or any Tenant Party, as Hazardous Materials instead of non-Hazardous Materials. The report shall include reasonable detail concerning the clean-up locations, the tests run and the analytic results.

In addition, Tenant shall provide to Landlord prior to the expiration of the Term (or within thirty (30) days after any earlier termination of this Lease), a copy of its most current chemical waste removal manifest.

If Tenant fails to perform its obligations under this Section 10.07, then without limiting any other right or remedy, Landlord may, on five (5) Business Days' prior written notice to Tenant, perform such obligations at Tenant's expense, and Tenant shall within ten (10) days of demand reimburse Landlord, as Additional Rent, for all reasonable out-of-pocket costs and expenses incurred by Landlord in connection with such work, together with an Administrative Charge, as defined in Section 13.02. In addition, at Landlord's election, Landlord may inspect the Premises and/or the Property for Hazardous Materials at Landlord's cost and expense within sixty (60) days of Tenant's surrender of the Premises at the expiration of the Term or the earlier termination of this Lease (but in any event prior to the commencement of demolition or construction work within the Premises or occupancy thereof by or for a successor tenant). Tenant shall pay for all such costs and expenses incurred by Landlord in connection with such inspection if such inspection reveals

that a release or threat of release of Hazardous Materials exists (a) at the Property as a result of the acts or omission of Tenant, its officers, employees, contractors, and agents, or (b) at the Premises (except to the extent resulting from the acts or omissions of Landlord or Landlord's agents, employees or contractors, or occupants of other portions of the Building, or any other party other than Tenant or a Tenant Party).

The provisions of this Section 10.07 shall survive the expiration of the Term or the earlier termination of this Lease.

ARTICLE 11: DAMAGE OR DESTRUCTION; CONDEMNATION

11.01.Damage or Destruction of Premises. If the Premises or the Building are damaged in whole or in part by any fire or other casualty (a "casualty"), Tenant shall immediately upon discovering such damage give notice thereof to Landlord. Unless this Lease is terminated as provided herein, Landlord, at its own expense (but only to the extent of the insurance proceeds (net of all costs and expenses incurred in obtaining same) received by Landlord on account thereof), except for any insurance deductibles (which shall be deemed Operating Costs), shall proceed with diligence to repair or cause to be repaired such damage so as to restore the Premises or the Building (including the Initial Tenant Work but excluding any other Tenant Work) to substantially the same condition they were in prior to the casualty, subject to then applicable Legal Requirements. All such repairs made necessary by any act or omission of Tenant shall be made by Landlord at Tenant's expense to the extent that the cost of such repairs is not covered by insurance proceeds available therefor (including the payment by Tenant of any applicable deductible amount). Landlord shall not be liable for delays in the making of any such repairs that are due to Force Majeure or delays in obtaining insurance proceeds (provided Landlord files and prosecutes insurance claims with reasonable diligence), nor shall Landlord be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting from delays in repairing such damage. All repairs to and replacements of Tenant's Property and any Tenant Work other than the Initial Tenant Work shall be made by and at the expense of Tenant, which work Tenant shall promptly commence as soon as practicable and thereafter prosecute diligently to completion.

Landlord shall, within sixty (60) days after the occurrence of a casualty, provide Tenant with a good faith estimate of the time required to repair the damage to the Premises or the Building, as provided herein; if such estimate is for a period of more than two hundred seventy (270) days from the occurrence of the casualty (or during the last twelve (12) months of the Term, for a period of more than ninety (90) days), the Premises shall be deemed "substantially damaged". If the Premises or the Building are substantially damaged, or if any mortgagee refuses to make available to Landlord for the purpose of making such repairs a sufficient amount of the insurance proceeds, then in either such case Landlord may elect to terminate this Lease by giving Tenant written notice of such termination within one hundred twenty (120) days of the date of such casualty. In addition, if the Premises or the Building are substantially damaged through no fault of Tenant or any Tenant Party, then Tenant may terminate this Lease by giving Landlord written notice of such termination within one hundred twenty (120) days of the date of such casualty.

If the Premises or any part thereof shall have been rendered unfit for use and occupation hereunder by reason of such damage, the Base Rent, or a just and proportionate part thereof,

according to the nature and extent to which the Premises shall have been so rendered unfit, shall be abated from and after the date of such casualty until the Premises (except as to Tenant's Property and any Tenant Work other than the Initial Tenant Work) shall have been restored as nearly as practicable to the condition in which they were immediately prior to such fire or other casualty. Notwithstanding the foregoing, if such casualty was due to the act or omission of Tenant or Tenant's employees, contractors, invitees or 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.

In the event of any termination, the Term shall expire as though such effective termination date were the date originally stipulated in Article 1 for the end of the Term and the Base Rent (to the extent not abated as set forth above) and Additional Rent for Operating Costs shall be apportioned as of such date.

11.02.Eminent Domain. In the event of any condemnation or taking in any manner for public or quasi-public use, which shall be deemed to include a voluntary conveyance in lieu of a taking (a "taking") of the whole of the Building or the Property, this Lease shall forthwith terminate as of the date when Tenant is required by the taking authority to vacate the Premises. In such event Base Rent and Tenant's share of Operating Costs shall be apportioned as of the date of termination. Landlord shall promptly notify Tenant of any written notice received by Landlord from any governmental authority with respect to any condemnation or taking (including said voluntary conveyance) of the Property or any part thereof.

In the event that only a part of the Premises or the Building shall be taken, then, if such taking is a substantial taking (as hereinafter defined), either Landlord or Tenant may, by delivery of notice in writing to the other within sixty (60) days following the date on which Landlord's title has been divested by such authority, terminate this Lease, effective as of the date when Tenant is required to vacate the portion of the Premises so taken. A "substantial taking" shall mean a taking which: requires restoration and repair of the remaining portion of the Building that cannot in the ordinary course be reasonably expected to be repaired within one hundred eighty (180) days; results in the loss of all reasonable access to the Premises; results in the loss of more than twenty-five percent (25%) of the rentable floor area of the Premises; or results in the loss of more than ten (10%) percent of the number of parking spaces currently serving the Building and Landlord reasonably determines it is not practical to relocate such parking within the remaining Property or on other property within the vicinity of the Property.

Unless this Lease is terminated as provided herein, Landlord, at its own expense (but only to the extent of the condemnation proceeds and any insurance proceeds (net of all costs and expenses incurred in obtaining same) received by Landlord on account thereof), shall proceed with diligence to restore the remaining portion of the Premises (including the Initial Tenant Work) and the necessary portions of the Building as nearly as practicable to the same condition as it was prior to such taking, subject to then applicable Legal Requirements. Landlord shall not be liable for delays in the performance of such restoration that are due to Force Majeure or delays in payment of condemnation proceeds, nor shall Landlord be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting from delays in repairing such damage. All repairs to and replacements of Tenant's Property and any Tenant Work other than the Initial Tenant

Work shall be made by and at the expense of Tenant, which work Tenant shall promptly commence as soon as practicable and thereafter prosecute diligently to completion.

In the event some portion of the rentable floor area of the Premises is taken (other than for temporary use) and this Lease is not terminated, Base Rent and Tenant's share of Operating Costs shall be proportionally abated for the remainder of the Term. In the event of any taking of the Premises or any part thereof for temporary use, (i) this Lease shall be and remain unaffected thereby and Rent shall not abate, and (ii) Tenant shall be entitled to receive for itself such portion or portions of any award made for such use with respect to the period of the taking that is within the Term (and the remainder of such award shall be paid to Landlord), provided that if such taking shall remain in force at the expiration of the Term or the earlier termination of this Lease, then Tenant shall pay to Landlord a sum equal to the reasonable cost of performing Tenant's obligations hereunder with respect to surrender of the Premises and upon such payment shall be excused from such obligations.

Landlord shall have and hereby reserves and excepts, and Tenant hereby grants and assigns to Landlord, all rights to recover for damages for a taking of the Premises, the Building or the Property or any portion of any of the foregoing. Tenant agrees to execute such further instruments of assignment as may be reasonably requested by Landlord, and to turn over to Landlord any damages that may be recovered in any proceeding or otherwise. Nothing contained herein shall be construed to prevent Tenant from prosecuting in any condemnation proceedings a separate claim for the value of any of Tenant's leasehold interest and improvements, Tenant's personal property, and for relocation and moving expenses and business losses, provided that such action shall not affect the amount of compensation otherwise recoverable by Landlord from the taking authority.

ARTICLE 12: ASSIGNMENT AND SUBLETTING

12.01.Landlord's Consent Required. Except (i) for Related Party Transfers, and (ii) as set forth in this Article, Tenant shall not directly or indirectly assign this Lease, or sublet or license the Premises or any portion thereof, or advertise the Premises for assignment or subletting, or permit the occupancy of all or any portion of the Premises or the use of any portion of the Initial Tenant Work by any person other than Tenant, including transfer by mortgage, pledge or other encumbrance (whether of all or any portion of Tenant's interest under this Lease, or any ownership interest (direct or indirect) in Tenant, or any portion of the Initial Tenant Work or any equipment, machinery, trade fixture or other property paid for in whole or in part by any portion of Landlord's Allowance) each of the foregoing actions are collectively referred to as a "**Transfer**"), without obtaining, on each occasion, the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed, provided that Tenant complies with the provisions of this Article. An assignee, subtenant, licensee, or other occupant is referred to herein as a "**Transferee**". It shall be reasonable for Landlord to withhold consent to a proposed Transfer that is an assignment of Tenant's interest in this Lease or a sublease of fifty (50%) percent or more of the rentable square footage of the Premises if the proposed Transferee does not have a net worth equal to or in excess of that of Tenant at the Date of Lease or immediately prior to the proposed Transfer, whichever is greater, or if the use proposed to be made of the Premises (or the applicable portion thereof) by the proposed Transferee is not a Permitted Use hereunder. A "Transfer" shall include: any transfer of Tenant's interest in this Lease by operation of law; the transfer or sale of

a controlling interest in Tenant (whether direct or indirect, and whether in one transaction or in a series of related transactions), except for the offer or transfer of shares of stock in Tenant on a national securities exchange; any "Related Party Transfer" (as defined below); and the grant of permission or license by Tenant to any other person or entity to use or occupy any portion of the Premises for any period of time or for any purpose whatsoever. Any Transfer shall be subject to this Lease, all of the provisions of which shall be conditions to such Transfer and be binding on any Transferee. No Transferee shall have any right further to Transfer its interest in the Premises, and nothing herein shall impose any obligation on Landlord with respect to a further Transfer. For purposes of this Lease, the term "Transfer" shall not include any mortgage, pledge or other encumbrance on or of any equipment, machinery, trade fixture or other property owned or used by Tenant which is not paid for in whole or in part by any portion of Landlord's Allowance.

12.02.Terms. Tenant shall not offer to make a Transfer (i) to any tenant in the Building (or any Affiliate of such tenant) if, at the time of Tenant's intended Transfer, Landlord then has comparable space in the Building available for lease for a comparable term, or (ii) to any person or entity that would be of such type, character or condition as to be inappropriate as a tenant of a building comparable to the Building. The provisions of this Section 12.02 shall not apply to Related Party Transfers.

12.03.Related Party Transfers. Tenant may make a Related Party Transfer (as defined below) without the consent of Landlord provided that Tenant gives Landlord at least ten (10) Business Days' prior written notice thereof together with evidence reasonably satisfactory to Landlord that the proposed Transfer is a Related Party Transfer and such Related Party Transfer is subject to all of the other terms and conditions of this Article. A "**Related Party Transfer**" shall mean one or more of the following: (1) any assignment to (A) a person or entity which owns (either directly or indirectly) substantially all of the voting stock of Tenant or otherwise exercises voting control over Tenant, or (B) an entity in which Tenant owns (directly or indirectly) substantially all of the voting stock or over which Tenant otherwise exercises voting control, (C) any entity in which Tenant's parent (i.e., a person or entity described in clause A above) owns (directly or indirectly) substantially all of the voting stock or over which such parent otherwise exercises voting control, or (D) any other Affiliate of Tenant, or (2) an assignment incident to the sale of all or substantially all of Tenant's assets or an entire division or business unit of Tenant, or (3) a merger or consolidation of Tenant with any other entity, provided that in any of the situations described in the preceding clauses (1)-(3): (a) the person or entity succeeding to Tenant's interest in this Lease (the "**Related Party Transferee**") has a net worth equal to or in excess of that of Tenant at the Date of Lease or immediately prior to the Related Party Transfer, whichever is greater, and (b) such Related Party Transferee agrees in writing, for the benefit of Landlord, to assume all of Tenant's obligations under this Lease. Related Party Transfers shall not be subject to the provisions of (i) Section 12.02, (ii) the first sentence of Section 12.04, or (iii) Section 12.05.

12.04.Procedures. At least thirty (30) days prior to the effective date of any Transfer (except to the extent prohibited or restricted by applicable securities laws or regulations, in which event as soon as permitted under such applicable securities laws or regulations), Tenant shall give Landlord in writing the details of the proposed Transfer, including: (i) the name, business, and financial condition (including the most recent annual and quarterly financial statements, in form and content reasonably acceptable to Landlord) of the prospective Transferee, (ii) a true and complete copy of the proposed instrument containing all of the terms and conditions of such

Transfer, (iii) a written agreement of the prospective Transferee, in form and content reasonably acceptable to Landlord, agreeing with Landlord to perform and observe all of the terms, covenants, and conditions of this Lease undertaken by such Transferee, and (iv) any other information Landlord reasonably requires. Tenant shall pay to Landlord, as Additional Rent, Landlord's reasonable attorneys' fees in reviewing any Transfer, up to $3,500 per Transfer or proposed Transfer. Tenant shall provide Landlord with a true and correct copy of the instrument effecting the Transfer on or before the date that it takes effect, except that with respect to a Related Party Tenant Transfer, Tenant shall, within fifteen (15) days after the Related Party Transfer, deliver to Landlord evidence of merger or such other evidence as is reasonably satisfactory to Landlord that such Related Party Transfer has occurred.

12.05.Excess Rents. If the consideration, rent, or other amounts payable to Tenant under any sublease, license, or other occupancy arrangement (collectively, a "**Sublease**"), exclusive of reasonable and customary amounts separately charged by Tenant to an occupant under such Sublease for services to be provided by Tenant or the sharing or use of Tenant's furniture, fixtures and equipment, exceed the sum of (1) Rent and other charges to be paid hereunder (which amounts shall be pro-rated based on the floor area intended to be subject to such Sublease), and (2) Tenant's Expenses (which shall be (a) pro-rated based on the floor area intended to be subject to such Sublease, and (ii) amortized over the fixed term of the Sublease in question), then Tenant shall pay to Landlord, as Additional Rent, one-half (1/2) of the amount of such excess when and as received by Tenant. "**Tenant's Expenses**" shall mean, collectively, (i) the necessary and reasonable expenses incurred by Tenant in good faith to third parties in connection with such Sublease on account of brokerage, legal, design, and demising and leasehold improvement costs in the portion of the Premises affected by, and specifically in connection with, such Sublease, and (iii) the unamortized out of pocket cost to Tenant of previously constructing Tenant Work in the Premises (or in the portion of the Premises to be subject to such Sublease, as the case may be) and in either case with respect to the Initial Tenant Work, only the portion of the cost thereof paid out of pocket by Tenant, and not the portion of the cost thereof covered by Landlord's Allowance pursuant to the Work Letter, shall be included as an "out of pocket cost to Tenant" for purposes of this calculation, with such amortization to be calculated on a straight line basis over the remaining Initial Term of the Lease as of the date such expense was incurred by Tenant. There shall be included in the calculation to be performed pursuant to the first sentence of this section any lump-sum payment or periodic payments made to Tenant for the purchase of so-called leasehold improvements, but all lump-sum or periodic payments made to Tenant on account of the leasing or mere use of Tenant's equipment by the Transferee under such Sublease shall be excluded from such calculation. The provisions of this Section 12.05 shall not apply to Related Party Transfers.

12.06.No Release. Notwithstanding any Transfer and whether or not the same is a Related Party Transfer or is consented to, the liability of Tenant to Landlord shall remain direct and primary, to the extent that Tenant still exists as a separate entity after a Related Party Transfer. Any Transferee of all or substantially all of Tenant's interest in the Premises, including any such Transferee under a Related Party Transfer, shall be jointly and severally liable with Tenant (to the extent that Tenant still exists as a separate entity after a Related Party Transfer) to Landlord for the performance of all of Tenant's covenants under this Lease; and such Transferee shall upon written request from Landlord execute and deliver such instruments as Landlord reasonably requests in confirmation thereof (and agrees that its failure to do so shall be a default). During any period when there exists an Event of Default by Tenant which is then continuing, Tenant hereby

irrevocably authorizes Landlord to collect Rent and other charges from any Transferee (and upon notice from Landlord any Transferee shall pay directly to Landlord) and apply the net amount collected to the Rent and other charges reserved under this Lease. No Transfer shall be deemed a waiver of the provisions of this Section, or the acceptance of the Transferee as a tenant, or a release of Tenant from direct and primary liability for the performance of all of the covenants of this Lease. The consent by Landlord to any Transfer shall not relieve Tenant or any Transferee from the obligation of obtaining the express consent of Landlord to any modification of such Transfer or a further Transfer by Tenant or such Transferee. Notwithstanding anything to the contrary in the documents effecting the Transfer, Landlord's consent shall not alter in any manner whatsoever the terms of this Lease, to which any Transfer at all times shall be subject and subordinate. The breach by Tenant or any Transferee of any provision of this Article shall be a default for which there is no cure period.

ARTICLE 13: EVENTS OF DEFAULT AND REMEDIES

13.01.Events of Default. In the event that:

(A) Tenant shall default in the payment of any Base Rent, Additional Rent or other sum payable under this Lease, when and as the same shall become due and payable hereunder, and such default shall continue for a period of seven (7) days after Landlord gives Tenant notice that such payment was not paid when due; *provided*, *however*, that after Landlord has given two (2) notices to Tenant of a failure to timely pay a recurring monthly charge (such as Basic Rent, Operating Costs or utility charges, regardless of whether the amount of such charge may vary from month to month), then for a period of twelve (12) months from the date of such second notice Tenant shall not be entitled to any notice of a further default in the payment of any recurring monthly charge (whether of the same or a different monetary obligation of Tenant hereunder) and Tenant's failure at any time during such 12-month period to make any such payment within seven (7) days after the date on which such payment is due hereunder shall constitute an Event of Default without the necessity of any notice; or

(B) Tenant shall (i) abandon or vacate for not less than three (3) consecutive months all or substantially all of the Premises and not pay Rent as and when due hereunder, or (ii) make any Transfer in violation of this Lease; or (iii) fail to (a) maintain all insurance as required hereunder, or (b) provide Landlord with the certificates of insurance required pursuant to Article 8 above, or (c) restore or replenish the amount of the Security Deposit following a draw by Landlord upon, or application by Landlord of all or any portion of, the Security Deposit, as required by Article 14 below, or (d) provide Landlord with an estoppel certificate as required by Section 15.04 below within five (5) Business Days of a second request therefor; or

(C) Tenant shall file a voluntary petition in bankruptcy or shall be adjudicated a bankrupt or insolvent; or shall file any petition or answer seeking any reorganization, arrangement, composition, liquidation, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors; or shall seek, or consent to, or

acquiesce in the appointment of any trustee, receiver or liquidator of Tenant; or shall make any general assignment for the benefit of creditors; or

(D) any court enters an order, judgment or decree approving a petition filed against Tenant seeking any reorganization, arrangement, composition, liquidation, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, or for the appointment of a receiver, and such order, judgment or decree shall remain unvacated or unstayed for an aggregate of ninety (90) days; or

(E) any representation or warranty made by Tenant herein is untrue in any material respect when made; or

(F) Tenant shall default in the observance or performance of any of Tenant's covenants, agreements or obligations hereunder, other than those referred to in the foregoing clauses (A)-(E), and such default shall not be corrected within the cure period expressly provided in this Lease therefor (and if no cure period is expressly provided, then for thirty (30) days after notice is given, *provided, however* that such period shall be reasonably extended in the case of a non-monetary default that cannot be cured within such 30-day period through the use of diligent efforts but only if the default can be cured and Tenant begins such cure within such 30-day period and thereafter diligently prosecutes such sure continuously to completion);

then, and in any such case, Landlord and its agents lawfully may, in addition to any remedies for any preceding breach, immediately or at any time thereafter without demand or notice and with or without process of law, enter upon any part of the Premises in the name of the whole or mail or deliver a notice of termination of the Term of this Lease addressed to Tenant at the Premises or any other address herein, and thereby terminate the Term and repossess the Premises as of Landlord's former estate. Any default by Tenant continuing beyond applicable notice and cure periods by is referred to herein as an "**Event of Default**". Tenant waives any statutory notice to quit and equitable rights in the nature of further cure or redemption, and Tenant agrees that upon Landlord's termination of this Lease, Landlord shall be entitled to re-entry and possession in accordance with the terms hereof. Tenant agrees that a notice by Landlord alleging any default shall, at Landlord's option (the exercise of such option shall be indicated by the inclusion of the words "notice to quit" in such notice), constitute a statutory notice to quit. If Landlord exercises its option to designate a notice of default hereunder as a statutory notice to quit, any grace periods provided for herein shall run concurrently with any statutory notice periods. Tenant further agrees that it shall not interpose any counterclaim or set-off in any summary proceeding or in any action based in whole or in part on non-payment of Rent other than mandatory counterclaims.

Upon such entry or mailing the Term shall terminate, all executory rights of Tenant and all obligations of Landlord will immediately cease, and Landlord may expel Tenant and all persons claiming under Tenant and remove their effects without any trespass and without prejudice to any remedies for arrears of Rent or prior breach; and Tenant waives all statutory and equitable rights to its leasehold (including rights in the nature of further cure or redemption, if any). If Landlord engages attorneys in connection with any failure to perform by Tenant hereunder, Tenant shall reimburse Landlord within ten (10) days of demand, as Additional Rent, for the reasonable fees of

such attorneys. Without implying that other provisions do not survive, the provisions of this Article shall survive the expiration of the Term or the earlier termination of this Lease.

Rent forgiveness, allowances for (and/or Landlord expenses in designing and constructing) the Initial Tenant Work to ready the Premises for Tenant's occupancy and the like, if any, have been agreed to by Landlord as inducements for Tenant faithfully to perform all of its obligations hereunder for the entire Term. For all purposes, upon the occurrence of any Event of Default, any such inducements shall be deemed void as of the date hereof as though such had never been included, and the unamortized amounts (or value) thereof as of the date of such Event of Default (based on straight line amortization of such amounts (or value), with interest thereon per annum at the Default Rate, over what would otherwise have constituted the Term of this Lease) will be deemed to be Additional Rent then immediately due. The foregoing will occur automatically without any further notice by Landlord, whether or not the Term is then or thereafter terminated.

Subject to the provisions of this Article 13, Tenant shall indemnify Landlord against all loss of Rent and other costs, expenses, loss and damages that Landlord may incur during what would otherwise have constituted the balance of the Term by reason of the termination of this Lease for Tenant's Event of Default hereunder. Without limiting the generality of the foregoing, Tenant shall reimburse Landlord for all expenses incurred by Landlord arising out of such termination, including all costs incurred in collecting amounts due from Tenant under this Lease (including reasonable attorneys' fees, costs of litigation and the like); all expenses incurred by Landlord in good faith in attempting to relet the Premises or parts thereof (including advertisements, brokerage commissions, tenant allowances, costs of preparing space, and the like) during the period that would have constituted the Term hereof but for the termination by Landlord; and all other expenditures by Landlord arising out of or resulting from the termination. The reimbursement from Tenant shall be due and payable immediately from time to time upon notice from Landlord that an expense has been incurred, without regard to whether the expense was incurred before or after the termination of this Lease.

13.02.Remedies for Default.

13.02(a) Reletting Expenses Damages. If this Lease is terminated for Tenant's Event of Default, Tenant covenants, as an additional cumulative obligation after such termination, to pay on demand by Landlord all of Landlord's reasonable costs, including reasonable attorneys' fees and costs, related to Tenant's default and in collecting amounts due, and all reasonable expenses in connection with reletting, including tenant inducements to new tenants, brokerage commissions, fees for legal services, expenses of preparing the Premises for reletting and the like, as provided in Section 13.01, together with an administrative charge of ten (10%) percent of all the foregoing costs ("**Reletting Expenses**"). It is agreed that Landlord may (i) relet the Premises or part or parts thereof for a term or terms that may be equal to, less than or exceed the period that would otherwise have constituted the balance of the Term, and may grant such tenant inducements, including free rent, as Landlord in its sole discretion considers advisable, and (ii) make such alterations to the Premises as Landlord in its sole discretion considers advisable, and no failure to relet or to collect rent under any reletting shall operate to reduce Tenant's liability. Landlord agrees to make commercially reasonable efforts to mitigate its damages following the termination of this Lease by reason of the occurrence of an Event of Default hereunder, provided that such efforts shall be

subject to Landlord's reasonable objectives of developing its property in a harmonious manner with appropriate mixes of tenants, uses, floor areas, terms and the like.

13.02(b) Termination Damages. If this Lease is terminated for Tenant's Event of Default, then unless and until Landlord elects lump sum liquidated damages described in the next paragraph, Tenant covenants, as an additional, cumulative obligation after any such termination, to pay punctually to Landlord all the sums and perform all of its obligations hereunder at the same time and in the same manner as if this Lease had not been terminated. In calculating such amounts, Tenant will be credited with the net proceeds of any rent then actually received by Landlord from a re-letting of the Premises after deducting all Rent due as of such date and Reletting Expenses that have not then been paid by Tenant, provided that Tenant shall never be entitled to receive any portion of the re-letting proceeds, even if the same exceed the Rent originally due hereunder.

13.02(c) Lump Sum Liquidated Damages. If this Lease is terminated for Tenant's Event of Default, Tenant covenants, as an additional, cumulative obligation after any such termination, to pay forthwith to Landlord at Landlord's election made by written notice at any time after termination, as liquidated damages, a single lump sum payment equal to the sum of (i) all sums then due and owing from Tenant to Landlord at the time of such election, plus (ii) either, as Landlord elects, (A) the excess of the present value of all of the Rent reserved for the residue of the Term (with Additional Rent deemed to increase five (5%) percent in each year on a non-compounding basis) over the present value of the aggregate Fair Market Rent and Additional Rent payable on account of the Premises during such period, which Fair Market Rent shall be reduced by reasonable projections of vacancies and by Landlord's Reletting Expenses described above to the extent not theretofore paid to Landlord, or (B) an amount equal to the sum of all of the Rent and other sums due under the Lease with respect to the 12-month period next following the date of termination. The Federal Reserve discount rate (or equivalent) shall be used in calculating such present values under clause (ii)(A). From and after the date on which Tenant pays to Landlord in full the amount elected by Landlord pursuant to clause (ii) of this subsection (c), no further damages shall accrue pursuant to the preceding Section 13.02(b), but Tenant shall nonetheless remain liable for all damages accruing under Section 13.02(b) prior to such date.

13.02(d) Remedies Cumulative; Late Performance. The remedies to which Landlord may resort under this Lease, and all other rights and remedies of Landlord, are cumulative (except as otherwise expressly provided in the preceding subsection (c)), and any two or more may be exercised at the same time. Nothing in this Lease shall limit the right of Landlord to prove and obtain in proceedings for bankruptcy or insolvency an amount equal to the maximum allowed by any statute or rule of law in effect at the time; and Tenant agrees that the fair value for occupancy of all or any part of the Premises at all times shall never be less than the Base Rent and all Additional Rent payable from time to time. Tenant shall also indemnify and hold Landlord harmless in the manner provided elsewhere herein if Landlord shall become or be made a party to any claim or action (a) instituted by Tenant against any third party, or by any third party against Tenant, or by or against any person claiming by, through or under Tenant, subject to Section 8.03 and Section 9.02; (b) for foreclosure of any lien for labor or material furnished to or for Tenant or such other person; (c) otherwise arising out of or resulting from any act or transaction of Tenant constituting an Event of Default, subject to Section 8.03 and Section 9.02; or (d) necessary to protect Landlord's interest under this Lease in a bankruptcy proceeding, or other proceeding under Title 11 of the United States Code, as amended.

13.02(e) Landlord's Curing. If Tenant fails to perform any covenant within the applicable cure period (if any), then Landlord at its option may (without waiving any right or remedy for Tenant's nonperformance) at any time thereafter perform the covenant for the account of Tenant. Tenant shall upon demand reimburse, as Additional Rent, Landlord's cost (including reasonable attorneys' fees) of so performing, together with an administrative charge equal to ten percent (10%) of such cost ("**Administrative Charge**") on demand as Additional Rent. Notwithstanding any other provision concerning cure periods, Landlord may cure any non-performance for the account of Tenant after such notice to Tenant, if any, as is reasonable under the circumstances if curing prior to the expiration of the applicable cure period is reasonably necessary to prevent likely damage to the Premises or the Property or possible injury to persons, or to protect Landlord's interest in the Premises or the Property.

ARTICLE 14: SECURITY DEPOSIT

Upon the execution of this Lease, Tenant shall deposit with Landlord the Security Deposit, either in the form of cash ("**Cash Security**") or in the form of a Letter of Credit as described in this Section (the "**Letter of Credit**"), as security for the punctual performance of each and every obligation of Tenant under this Lease. In no event shall the Security Deposit be deemed to be a prepayment of Rent nor shall it be considered a measure of liquidated damages. Landlord may commingle any Cash Security with Landlord's other funds, and no interest shall be due thereon.

If Tenant elects to deliver the Security Deposit in the form of a Letter of Credit, the Letter of Credit shall be an irrevocable standby letter of credit, which Letter of Credit shall be substantially in the form of Exhibit M attached hereto or otherwise in form and content satisfactory to Landlord in its sole discretion, and issued by a commercial bank satisfactory to Landlord in its sole discretion (Landlord hereby acknowledging that Silicon Valley Bank is satisfactory). The Letter of Credit shall provide that it may be drawn upon in Boston, Massachusetts or via facsimile drawing (i) in part or in whole, upon the presentation of a sight draft accompanied by a certificate signed by a representative of Landlord, setting forth the amount due to Landlord by reason of the occurrence of an Event of Default by Tenant hereunder, or (ii) in whole, upon the presentation of a sight draft accompanied by a certificate signed by a representative of Landlord, stating that (a) such Letter of Credit will expire within thirty (30) days of such certificate, and (b) Tenant has not deposited a substitute Letter of Credit in the form, amount and issued by a bank as required by this Section. Any payment drawn by Landlord under the Letter of Credit pursuant to clause (ii) of the preceding sentence shall be held by Landlord as Cash Security pursuant to the provisions of this Article. Landlord may commingle any Cash Security with Landlord's other funds, and no interest shall be due thereon. The Letter of Credit shall remain in full force and effect for a period of at least one hundred twenty (120) days beyond the expiration of the Term. Tenant shall deposit the original Letter of Credit with Landlord and shall keep the Letter of Credit in full force and in compliance with the provisions of this Lease throughout the Term.

Landlord may apply any Cash Security, or may draw in full or in part upon the Letter of Credit and apply the cash proceeds thereof, towards remedying any Event of Default by Tenant and/or damages sustained by Landlord as a result thereof. In the event that Landlord so draws upon and applies or retains any portion or all of the proceeds of the Letter of Credit, or so applies all or any portion of the Cash Security, Tenant shall pay to Landlord, as Additional Rent, the amount so expended by Landlord (or shall deliver an amendment to the Letter of Credit increasing

the amount of the Letter of Credit by the amount so drawn by Landlord) within three (3) Business Days of notice given by Landlord so that at all times (subject to the 3-Business Day grace period herein referenced) Landlord shall be entitled to draw down upon the full aggregate amount of the Letter of Credit or hold the full Cash Security, or some combination thereof. Notwithstanding anything contained in this Lease to the contrary, any failure of Tenant to restore any amount drawn under the Letter of Credit or expended from the Cash Security within the time and manner specified in this Section shall immediately constitute an Event of Default hereunder (without the necessity of any additional notice or the passage of any additional time) and entitle Landlord to immediately draw down the Letter of Credit then in force or effect and Landlord shall retain such cash amounts as Cash Security pursuant to the provisions of this Section. Tenant shall be solely responsible for the payment of all costs associated with obtaining, replacing (as necessary), transferring, extending and maintaining the Letter of Credit in accordance with the terms of this Section. The drawing upon the Letter of Credit and application of all or any part of the Cash Security to any Event of Default of Tenant under this Lease shall not deprive Landlord of any other rights or remedies Landlord may have, nor shall such application by Landlord constitute a waiver by Landlord. In addition, in the event of a termination based upon an Event of Default of Tenant under this Lease, or a rejection of the Lease pursuant to the provisions of the Federal Bankruptcy Code, Landlord shall have the right to draw upon the Letter of Credit or apply the Cash Security (from time to time, if necessary) to cover up to the full amount of damages and other amounts due from Tenant to Landlord under the Lease. Any amounts so applied shall, at Landlord's election, be applied first to any unpaid Rent and other charges which were due prior to the filing of the petition for protection under the Federal Bankruptcy Code.

Landlord shall assign the Security Deposit to any purchaser of the Building, and thereafter Landlord shall have no further responsibility therefor. Upon request of Landlord or any such purchaser of the Building, Tenant shall, at its expense, cooperate with Landlord in obtaining an amendment to or replacement of any Letter of Credit which Landlord is then holding so that the amended or new Letter of Credit reflects the name of the new owner of the Building.

Within one hundred twenty (120) days after the expiration of the Term or the earlier termination of this Lease, Landlord shall inspect the Premises, make such draw upon the Letter of Credit or apply all or any portion of the Cash Security as may be required to cure any Event of Default by Tenant hereunder or to make payment on account of damages suffered by Landlord, and, if no Event of Default is then continuing, Landlord shall redeliver the original Letter of Credit (as may have previously been drawn on by Tenant) or pay the balance of the Cash Security, as the case may be, to Tenant within such 120-day period.

Notwithstanding the foregoing, provided that no monetary Event of Default on the part of Tenant has occurred prior to, and no non-monetary Event of Default has occurred and is continuing as of, the third (3rd) anniversary of the Term Commencement Date, Landlord agrees to accept a reduction in the amount of the Security Deposit, effective as of the next Business Day thereafter, to the amount of Three Hundred Seventy-Eight Thousand Nine Hundred Forty-One ($378,941.00) Dollars. If Landlord is then holding the Security Deposit in the form of a Letter of Credit, such reduction in the Letter of Credit shall be accomplished by Tenant providing Landlord with a substitute Letter of Credit in the reduced amount in exchange for the existing Letter of Credit which Landlord is then holding, or by an amendment to the existing Letter of Credit then held by Landlord, in form and substance reasonably acceptable to Landlord, which is accepted by Landlord

in writing. Landlord agrees to cooperate with Tenant, at no cost or expense to Landlord, in effectuating such replacement or amended Letter of Credit. If Tenant does not satisfy the requirements for a reduction in the amount of the Security Deposit as specified above, then Tenant shall be deemed to have irrevocably forfeited its right to any reduction in the amount of the Security Deposit.

ARTICLE 15: PROTECTION OF LENDERS/GROUND LANDLORD

15.01.Subordination and Superiority of Lease. Tenant agrees that this Lease and the rights of Tenant hereunder will be subject and subordinate to the lien of the holder of any existing or future mortgage, and to the rights of any lessor under any ground or improvements lease of the Building (all mortgages and ground or improvements leases of any priority are collectively referred to in this Lease as "mortgage", and the holder or lessor thereof from time to time as a "mortgagee"), and to all advances and interest thereunder and all modifications, renewals, extensions, replacements and consolidations thereof, provided that such mortgagee executes and delivers to Tenant a subordination, non-disturbance and attornment agreement in the form attached hereto as Exhibit J or in such other form as such mortgagee may request and as is reasonably acceptable to Tenant. Upon such attornment, this Lease shall continue in full force and effect as a direct lease between the mortgagee and Tenant upon all of the terms, conditions and covenants as are set forth in this Lease, except that the mortgagee shall not be (i) liable in any way to Tenant for any act or omission, neglect or default on the part of Landlord under this Lease except to the extent to which Tenant previously notified such mortgagee in writing of such default and such default continues during such mortgagee's period of ownership; (ii) responsible for any monies held by or on deposit with Landlord to the credit of Tenant unless received by the mortgagee (it being agreed that Landlord shall remain responsible for such monies until delivered to such mortgagee); (iii) subject to any counterclaim or setoff that theretofore accrued to Tenant against Landlord; (iv) bound by any amendment or modification of this Lease subsequent to such mortgage or by any previous prepayment of Rent for more than one (1) month, either of which was not approved in writing by the mortgagee (except that such approval shall not be required with respect to any amendment to this Lease that is ratifying the exercise by Tenant of any rights that Tenant has under this Lease (e.g., rights of extension and expansion)); (v) liable to Tenant beyond the mortgagee's interest in the Property; or (vi) responsible for the performance of any work to be done by Landlord under this Lease to render the Premises ready for occupancy by Tenant. Tenant agrees that any present or future mortgagee (or any holder of a ground or improvements lease) may at its option unilaterally elect to subordinate, in whole or in part and by instrument in form and substance satisfactory to such mortgagee alone, the lien of its mortgage (or the priority of its lease) to this Lease effective upon either notice from such holder to Tenant in the same fashion as notices from Landlord to Tenant are to be given hereunder or by the recording in the appropriate registry of deeds of an instrument in which such holder subordinates its rights under such mortgage or lease.

Tenant agrees that this Lease shall survive the merger of estates of ground (or improvements) lessor and lessee. Until a mortgagee forecloses Landlord's equity of redemption (or terminates or succeeds to a new lease in the case of a ground or improvements lease), no mortgagee shall be liable for failure to perform any of Landlord's obligations (and such mortgagee shall thereafter be liable only after it succeeds to and holds Landlord's interest and then only as limited herein).

In the event Tenant alleges that Landlord is in default under any of Landlord's obligations under this Lease, Tenant agrees to give the holder of any mortgage, by certified mail, a copy of any notice of default that is served upon Landlord, provided that prior to such notice, Tenant has been notified in writing (whether by way of notice of an assignment of lease, request to execute an estoppel letter, or otherwise) of the address of any such holder. Tenant further agrees that if Landlord shall have failed to cure such default within the time provided in Section 16.02 below or such additional time as may be provided in such notice to Landlord, such holder shall have thirty (30) days after the last date on which Landlord could have cured such default within which such holder will be permitted to cure such default. If such default cannot be cured within such 30-day period, then such holder shall have such additional time as may be necessary to cure such default, if within such 30-day period such holder has commenced and is diligently pursuing the remedies necessary to effect such cure (including, but not limited to, commencement of foreclosure proceedings, if necessary, to effect such cure). The agreements in this Lease with respect to the rights and powers of a mortgagee constitute a continuing offer to any person that may be accepted by taking a mortgage (or entering into a ground or improvements lease) of the Premises.

If, in connection with obtaining financing for the Property or any portion thereof, a bank, insurance company, pension trust or other institutional lender shall request reasonable modifications to this Lease as a condition to such financing, Tenant will not unreasonably withhold, delay or condition its consent thereto, provided that such modifications do not materially increase the obligations of Tenant hereunder or materially adversely affect the leasehold interest hereby created or Tenant's rights hereunder.

15.02.Rent Assignment. If at any time and from time to time, Landlord assigns this Lease or the Rent payable hereunder to the holder of any mortgage on the Premises or the Property, or to any other party for the purpose of securing financing (the holder of any such mortgage and any other such financing party are referred to herein as the "**Financing Party**"), whether such assignment is conditional in nature or otherwise, the following provisions shall apply:

(A) Except as set forth in clause (B) below, such assignment to the Financing Party shall not be deemed an assumption by the Financing Party of any obligations of Landlord hereunder unless such Financing Party shall, by written notice to Tenant specifically otherwise, elect;

(B) The Financing Party shall be treated as having assumed Landlord's obligations hereunder (subject to Section 15.01) only upon foreclosure of its mortgage (or voluntary conveyance by deed in lieu thereof); and

(C) Subject to Section 15.01 and Section 15.02, the Financing Party shall be responsible for only such breaches under the Lease by Landlord that occur during the period of ownership by the Financing Party after such foreclosure (or by conveyance by deed in lieu thereof) as aforesaid, except to the extent to which Tenant previously notified the Financing Party in writing of such breach on the part of Landlord and such breach continues during such Financing Party's period of ownership.

Tenant hereby agrees to enter into such reasonable agreements or instruments as may, from time to time, be requested by Landlord in confirmation of the foregoing.

15.03.Other Instruments. The provisions of this Article shall be self-operative; nevertheless, Tenant agrees to execute, acknowledge and deliver any subordination, attornment or priority agreements or other instruments conforming to the provisions of this Lease from time to time reasonably requested by Landlord or any mortgagee or prospective mortgagee. Tenant hereby irrevocably constitutes and appoints Landlord or any such mortgagee, acting singly, Tenant's attorney-in-fact to execute and deliver any such certificate or instrument for, on behalf and in the name of Tenant, but only if Tenant fails to execute, acknowledge and deliver any such certificate or instrument within fifteen (15) days after Landlord or such mortgagee has made written request therefor. Without limitation, where Tenant in this Lease indemnifies or otherwise covenants for the benefit of mortgagees, such agreements are for the benefit of mortgagees as third-party beneficiaries; and at the request of Landlord, Tenant from time to time will confirm such matters directly with such mortgagee.

15.04.Estoppel Certificates. Within ten (10) Business Days after the written request of Landlord, Tenant shall execute, acknowledge and deliver to Landlord a written statement in the form attached hereto as Exhibit K or in such other form as may be reasonably requested by Landlord, certifying (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how); (ii) that this Lease has not been canceled or terminated and is in full force and effect; (iii) the last date of payment of Base Rent and other charges and the time period covered; (iv) to the best of Tenant's knowledge, that Landlord is not in default under this Lease (or if in default, describing it in reasonable detail); and (v) such other information with respect to Tenant as Landlord may reasonably request or which any prospective purchaser or encumbrancer of the Property may reasonably require. Landlord may deliver any such statement by Tenant to any prospective purchaser or encumbrancer, which parties may rely conclusively upon such statement as true and correct. If Tenant does not deliver such statement to Landlord within such 10-Business Day period, Landlord, and any such prospective purchaser or encumbrancer, may conclusively presume and rely upon the following facts: (i) that the terms and provisions of this Lease have not been changed except as represented by Landlord; (ii) that this Lease has not been canceled or terminated and is in full force and effect, except as otherwise represented by Landlord; (iii) that not more than one (1) month's Base Rent or other charges have been paid in advance; and (iv) that Landlord is not in default under this Lease.

Within ten (10) Business Days after the written request of Tenant, Landlord shall execute, acknowledge and deliver to Tenant a written statement in such form as may be reasonably requested by Tenant, certifying (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how); (ii) that this Lease has not been canceled or terminated and is in full force and effect; (iii) the last date of payment of Base Rent and other charges and the time period covered; (iv) to the best of Landlord's knowledge, that Tenant is not in default under this Lease (or if in default, describing it in reasonable detail); and (v) such other information with respect to Landlord as Tenant may reasonably request or which any prospective encumbrancer of the Tenant's equipment or personal property in accordance with the provisions of Section 12.01 may reasonably require. Tenant may deliver any such statement by Landlord to any such prospective encumbrancer, which parties may rely conclusively upon such statement as true and correct.

15.05.Financial Condition. Tenant, within ten (10) Business Days after request from Landlord from time to time, but in no event more than twice per 12-month period, shall deliver to

Landlord Tenant's annual audited financial statements for the latest available two (2) fiscal years, including the most recent fiscal year prior to Landlord's request, and quarterly financial statements certified in writing by Tenant's chief financial officer or corporate treasurer. Landlord may deliver such financial statements to its mortgagees and lenders and prospective mortgagees, lenders, and purchasers. Tenant represents and warrants to Landlord that each such financial statement shall be true and accurate as of the date of such statements. Except for publicly available information, financial statements shall be kept confidential, and Landlord and any parties to whom Landlord provides such statements shall enter into reasonable confidentiality agreements with Tenant, in form reasonably acceptable to both Landlord and Tenant, prior to Tenant's delivery of such financial statements. Notwithstanding anything to the contrary contained in this Lease, the filing by Tenant of financial statements with the Securities and Exchange Commission (or a successor agency), which financial statements are available to the general public, shall be deemed to satisfy the requirements of this Lease for Tenant to provide financial statements or make representations with respect thereto.

ARTICLE 16: MISCELLANEOUS PROVISIONS

16.01.Landlord's Consent Fees. In addition to fees and expenses in connection with Tenant Work as described in Section 10.05 above, Tenant shall pay Landlord's reasonable out of pocket fees and expenses, including legal, engineering and other consultants' fees and expenses, incurred in connection with Tenant's request for Landlord's consent under Article 12 or in connection with any other request by Tenant for Landlord's consent or approval under this Lease.

16.02.Landlord's Default. Landlord shall in no event be in default in the performance of any of Landlord's obligations under this Lease unless and until Landlord shall have failed to perform such obligation within thirty (30) days after notice by Tenant to Landlord ("**Tenant's Default Notice**") specifying the manner in which Landlord has failed to perform any such obligation (provided that if correction of any such matter reasonably requires longer than thirty (30) days and Landlord so notifies Tenant within thirty (30) days after such Tenant's Default Notice is given, Landlord shall be allowed such longer period, but only if cure is begun within such 30-day period and thereafter diligently prosecuted to completion). In the event of any default by Landlord hereunder, Tenant shall have no right to perform such Landlord obligation and recover from Landlord any costs so incurred, or (except as expressly otherwise provided in Section 6.03 above) to abate or withhold Rent, but Tenant shall have the right, in the event of a default by Landlord hereunder, to commence and to prosecute an independent proceeding against Landlord for the recovery of damages or for equitable relief. This Lease shall be construed as though Landlord's and Tenant's covenants contained herein are independent and not dependent, and Tenant hereby waives the benefit of any statute or judicial law to the contrary. In no event shall Landlord ever be liable to Tenant for any indirect, special, consequential, or punitive damages.

16.03.Quiet Enjoyment. Landlord agrees that, so long as no Event of Default has occurred and is then continuing under this Lease, Tenant shall peaceably and quietly hold, occupy and enjoy the Premises during the Term of this Lease without disturbance by Landlord or by any person claiming through or under Landlord, subject to the terms of this Lease and any encumbrances of record.

16.04.Interpretation. In any provision relating to the conduct, acts or omissions of Tenant, the term "**Tenant**" includes Tenant's agents, employees, contractors, invitees, or successors. In any provision relating to the conduct, acts or omissions of Landlord, the term "**Landlord**" includes Landlord's agents, employees, contractors, invitees, or successors; *provided, however,* that neither the foregoing nor any reference in this Lease to "invitees" of Landlord shall be construed so as to include Tenant or any other tenant or occupant of any portion of the Property or any of their respective employees, agents, contractors or invitees.

16.05.Notices. All notices, requests and other communications required under this Lease shall be in writing, addressed as specified in Article 1, and shall (unless otherwise expressly provided in this Lease) be (i) personally delivered, or (ii) sent by certified mail, return receipt requested, postage prepaid, or (iii) delivered by a national overnight delivery service that maintains delivery records. Any notice so addressed shall be effective upon the earlier of (a) actual receipt, or (b) first tender for delivery by the United States Postal Service or a national overnight courier (provided that such first tender occurs on a Business Day), or (c) on the third Business Day following the day of mailing if so mailed by certified mail, return receipt requested. Either party may change its notice address upon written notice to the other party. Whenever oral notice is expressly permitted to be provided by either party pursuant to the provisions of this Lease, such notice shall only be valid and effective if such party uses all reasonable efforts to provide confirmatory written notice to the other party within twenty-four (24) hours of the giving of such oral notice.

16.06.No Recordation. Tenant shall not record this Lease or any portion(s) hereof, and immediately upon any such recording this Lease shall automatically (and without the necessity of any notice from or action by Landlord) terminate. Notwithstanding the foregoing, Landlord and Tenant agree to execute herewith a Notice of Lease in the form attached hereto as **Exhibit L**, which shall be recorded with the appropriate Registry of Deeds, and agree to execute, upon termination of this Lease for whatever cause, a Notice of Termination of Lease in recordable form for recording with said Registry of Deeds.

16.07.Corporate Authority. Each of Tenant and Landlord warrant and represent to the other that (a) such party is duly organized, validly existing and in good standing under the laws of the jurisdiction in which such entity was organized; (b) such party has the authority to own its property and to carry on its business as contemplated under this Lease; (c) such party has duly executed and delivered this Lease; and (d) the execution, delivery and performance by such party of this Lease (i) are within the powers of such party, (ii) have been duly authorized by all requisite action, (iii) will not violate any provision of law or any order of any court or agency of government, or any agreement or other instrument to which such party is a party or by which it or any of its property is bound, and (iv) will not result in the imposition of any lien or charge on any of such party's property, except by the provisions of this Lease. Each party agrees that breach of the foregoing warranties and representations shall at the other party's election be a default under this Lease for which there shall be no cure. These warranties and representations shall survive the expiration of the Term or the earlier termination of this Lease. Upon execution of this Lease, Tenant shall provide a board resolution or other entity vote authorizing the execution of this Lease on behalf of Tenant and identifying the person authorized to execute this Lease on behalf of Tenant, together with a clerk's or secretary's certificate indicating that such authorized person has in fact executed this Lease.

16.08.Joint and Several Liability. If more than one party signs this Lease as Tenant, they shall be jointly and severally liable for all obligations of Tenant.

16.09.Force Majeure. If either party is delayed or hindered in or prevented from the performance of any act required under this Lease to be performed by such party by reason of (i) strikes, lockouts, or labor disputes not attributable to the failure of the party claiming the benefit of a delay due to "Force Majeure" or any of its contractors (of any tier) to perform their obligations under any applicable labor contract or law; (ii) inability to obtain labor or materials, or reasonable substitutes therefor; (iii) acts of God, governmental action, condemnation, civil commotion, terrorism, riots, insurrection, war, fire, or other casualty; (iv) trouble in obtaining fuel, electricity, water, sewer, or telecommunication services or supplies from sources from which they are usually obtained, provided the party experiencing such trouble shall have used reasonable efforts to procure alternative sources; or (v) other conditions similar to those hereinabove enumerated beyond the reasonable control of the party obligated to perform (collectively, "**Force Majeure**"), then performance of such act shall be excused for the period of the delay, and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay. Subject to the provisions of the last sentence of this Section, in case either party is prevented or delayed from diligent construction of improvements, making any repairs, alterations or improvements, or furnishing any services or performing any other covenant or duty to be performed on the part of such party by reason of any cause reasonably beyond such party's control, then notwithstanding any contrary provision of this Lease, such party shall not be liable to the other party therefor nor shall Tenant be entitled to any abatement or reduction of Rent by reason thereof (except as expressly otherwise provided in Section 6.03(b)), nor shall the same give rise to a claim in Tenant's favor that such failure constitutes actual or constructive, total or partial, eviction from the Premises. In order to claim the benefit of a delay due to "Force Majeure", the party experiencing such event or circumstance must (a) notify the other party within a reasonable time period after such delay commences, and (b) use all reasonable and diligent efforts to minimize the duration of such delay and the effect of the delay upon the progress of construction of its respective work as described in this Work Letter. Nothing in this Section 16.09 shall excuse Tenant's failure to make payments under this Lease when due.

16.10.No Warranties; Limitation of Liability.

16.10(a) No Warranties. Landlord and Tenant expressly 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, and there are no warranties which extend beyond those expressly set forth in this Lease.

16.10(b) Limitation Of Liability. Tenant agrees that Landlord shall be liable only for breaches of its covenants occurring while it is owner of the Property; *provided, however,* that if Landlord from time to time is lessee of the ground or improvements constituting the Building, then Landlord's period of ownership of the Property shall be deemed to mean only that period while Landlord holds such leasehold interest. Upon any sale or transfer of the Building, the transferor Landlord (including any mortgagee) shall be relieved of any liability or obligation thereafter arising and Tenant shall look solely to the transferee Landlord as aforesaid for satisfaction of such liability or obligation except for defaults by Landlord prior to such transfer (for which the transferor Landlord shall remain liable). Tenant and each person acting under Tenant agrees to

look solely to Landlord's interest from time to time in the Property for satisfaction of any claim against Landlord. No owner, trustee, beneficiary, partner, member, manager, officer, director, agent, or employee of Landlord (or of any mortgagee or any lender or ground or improvements lessor) nor any person acting under any of them shall ever be personally or individually liable to Tenant or any person claiming under or through Tenant for or on account of any default by Landlord or failure by Landlord to perform any of its obligations hereunder, or for or on account of any amount or obligations that may be or become due under or in connection with this Lease or the Premises; nor shall it or they ever be answerable or liable in any equitable judicial proceeding or order beyond the extent of their interest in the Property. No deficit capital account of any member or partner of Landlord shall be deemed to be a liability of such member or partner or an asset of Landlord. Any lien obtained to enforce any judgment against Landlord shall be subject and subordinate to any mortgage encumbering the Property. In no event shall Landlord or Tenant (or any such persons) ever be liable to the other party, or anyone claiming through or on behalf of such party, for any special, indirect, punitive or consequential damages, including lost profits or revenues, except as otherwise provided in Section 3.02 with respect to a holdover by Tenant.

No owner, trustee, beneficiary, partner, member, manager, officer, director, shareholder, agent, or employee of Tenant nor any person acting under any of them shall ever be personally or individually liable to Landlord or any person claiming under or through Landlord for or on account of any default by Tenant or failure by Tenant to perform any of its obligations hereunder, or for or on account of any amount or obligations that may be or become due under or in connection with this Lease or the Premises.

16.11.Brokers. Landlord and Tenant represent and warrant to each other that the parties named in Article 1 are the only agents, brokers, finders or other parties with whom such party has dealt who may be entitled to any commission or fee with respect to this Lease or the Premises or the Property. Landlord shall compensate Landlord's Broker and Tenant's Broker pursuant to a separate agreement between Landlord and such Brokers. Landlord and Tenant agree to indemnify and hold the other harmless from any claim, demand, cost or liability, including reasonable attorneys' fees and expenses, asserted by any party other than the parties named in Article 1 based upon dealings of that party with the indemnifying party. The provisions of this Section shall survive the expiration of the Term or the earlier termination of this Lease.

16.12.No Waiver; Accord and Satisfaction. No consent by Landlord or Tenant to any act or omission that otherwise would be a default shall be construed to permit other similar acts or omissions. Neither party's failure to seek redress for violation or to insist upon the strict performance of any covenant, nor the receipt by Landlord of Rent with knowledge of any breach of covenant, shall be deemed a consent to or waiver of such breach. No breach of covenant shall be implied to have been waived unless such is in writing, signed by the party benefiting from such covenant and delivered to the other party. No acceptance by Landlord of a lesser sum than the Rent due shall be deemed to be other than on account of the earliest installment of such Rent; nor shall any endorsement or statement on any check or in any letter accompanying any check or payment be deemed an accord and satisfaction; and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other right or remedy. The acceptance by Landlord of any Rent following the giving of any default and/or termination notice shall not be deemed a waiver of such notice. Tenant shall not interpose any counterclaim or counterclaims in a summary proceeding or in any action based on nonpayment

of Rent except to the extent that by failing to do so, Tenant will irrevocably lose the right to assert such claim in an independent action.

16.13.Applicable Law and Construction. This Lease may be executed in counterparts, shall be construed as a sealed instrument, and shall be governed exclusively by the provisions hereof and by the laws of The Commonwealth of Massachusetts without regard to principles of choice of law or conflicts of law. A facsimile or electronic signature affixed to this Lease shall be sufficient to prove the execution by a party. The covenants of Landlord and Tenant are independent, and such covenants shall be construed as such in accordance with the laws of The Commonwealth of Massachusetts. If any provision of this Lease or the application thereof to any person or circumstance is for any reason held to be invalid, the remainder of this Lease (or the remainder of such provision) and the application thereof to other persons or circumstances shall not be affected thereby. Other than contemporaneous instruments executed and delivered of even date, if any, this Lease contains all of the agreements between Landlord and Tenant relating in any way to the Premises and supersedes all prior agreements and dealings between them. There are no oral agreements between Landlord and Tenant relating to this Lease or the Premises. This Lease may be amended only by instrument in writing executed and delivered by both Landlord and Tenant. The provisions of this Lease shall bind Landlord and Tenant and their respective successors and assigns, and shall inure to the benefit of Landlord and its successors and assigns and of Tenant and its permitted successors and assigns, subject to Article 12. The titles are for convenience only and shall not be considered a part of this Lease. This Lease shall not be construed more strictly against one party than against the other merely by virtue of the fact that it may have been prepared primarily by counsel for one of the parties, it being recognized that both Landlord and Tenant have contributed substantially and materially to the preparation of this Lease. If Tenant is granted any extension or other option, to be effective the exercise (and notice thereof) shall be unconditional; and if Tenant purports to condition the exercise of any option or to vary its terms in any manner, then the option granted shall be void and the purported exercise shall be ineffective. Time is of the essence of this Lease and each of its provisions. The enumeration of specific examples of a general provision shall not be construed as a limitation of the general provision, and the term “including” shall be deemed to mean “including, without limitation”. As used in this Lease, the term “Business Day” shall mean any day other than a Saturday, Sunday, or day on which commercial banks in Boston, Massachusetts are authorized or required by law to remain closed. Unless a party’s approval or consent is required by the express terms of this Lease to not be unreasonably withheld, conditioned or delayed, such approval or consent may be withheld in the party’s sole discretion. The submission of a form of this Lease or any summary of its terms shall not constitute an offer by Landlord to Tenant; but a leasehold shall only be created and the parties bound when this Lease is executed and delivered by both Landlord and Tenant and approved by the holder of any mortgage of the Premises having the right to approve this Lease. Nothing herein shall be construed as creating the relationship between Landlord and Tenant of principal and agent or of partners or joint venturers or any relationship other than landlord and tenant. This Lease and all consents, notices, approvals and all other related documents may be reproduced by any party by any electronic means or by facsimile, photographic, microfilm, microfiche or other reproduction process and the originals may be destroyed; and each party agrees that any reproductions shall be as admissible in evidence in any judicial or administrative proceeding as the original itself (whether or not the original is in existence and whether or not reproduction was made in the regular course of business), and that any further reproduction of such reproduction shall likewise be admissible. If any payment in the nature of interest provided for in

this Lease shall exceed the maximum interest permitted under controlling law, as established by final judgment of a court, then such interest shall instead be at the maximum permitted interest rate as established by such judgment.

16.14.Waiver of Trial by Jury; Venue; Prevailing Party.

(a) LANDLORD AND TENANT EACH HEREBY WAIVES TRIAL BY JURY IN ANY ACTION TO WHICH THEY ARE PARTIES ARISING OUT OF OR RELATING TO THIS LEASE, THE PREMISES OR THE PROPERTY.

(b) Landlord and Tenant agree that the sole venue for any litigation arising out of or relating to this Lease, the Premises or the Property shall be in the State or Federal courts of Massachusetts.

(c) In the event of any litigation, arbitration, or other dispute resolution proceeding between Landlord and Tenant arising out of or relating to this Lease, the Premises or the Property, the unsuccessful party as determined by such court, arbitrator or other fact finder shall reimburse the successful party for its reasonable attorneys' and consultants' fees and expenses and court costs incurred in connection with such proceeding.

16.15.No Representations or Inducements. In entering into this Lease Tenant acknowledges that Tenant is not relying on any representations, agreements, or promises of Landlord, or any inducements offered by Landlord to Tenant, not expressly set forth in this Lease.

16.16.No Surrender. No act or thing done by Landlord shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept such surrender shall be valid, unless in writing signed by Landlord. No employee of Landlord or of Landlord's agents shall have any power to accept the keys of the Premises prior to the termination of this Lease. The delivery of keys to any employee of Landlord or of Landlord's agents shall not operate as a termination of the Lease or a surrender of the Premises. In the event that Tenant at any time desires to have Landlord underlet the Premises for Tenant's account, Landlord or Landlord's agents are authorized to receive the keys or other access devices for such purposes upon written notice from Tenant without releasing Tenant from any of the obligations under this Lease, and Tenant hereby relieves Landlord of any liability for loss of or damage to any of Tenant's effects in connection with such underletting.

16.17.Arbitration. All disputes between the parties specifically referencing this Section 16.17 shall be resolved in accordance with this Section 16.17 except (i) each party shall have all of its rights and remedies at law or in equity in the event of a default by the other party, except as expressly limited hereunder, (ii) Landlord shall have the right to obtain possession of the Premises by any lawful means following a valid termination of this Lease, and (iii) any arbitration decision under this Section 16.17 shall be enforceable in accordance with applicable law in any court of proper jurisdiction.

16.l7(a) Initial Construction Disputes. If the dispute is with respect to matters relating to the Base Building Work or Initial Tenant Work ("Initial Construction Disputes"), the dispute shall initially be submitted by either party to the Landlord Representative and the Tenant Representative

for resolution. The initial representatives of the parties shall be as follows, until a party gives written notice to the other parties that it is replacing its Representative:

Landlord Representative:	Tenant Representative:
Mark A. Deschenes	Don Dougherty

The Landlord and Tenant Representatives shall meet one or more times to attempt to resolve such dispute within the 5-Business Day period following the date that such dispute is submitted to them. If, after such meeting(s), the parties have been unable to resolve such dispute, then such dispute shall be resolved as set forth in Section 16.17(b).

16.17(b) Arbitration Procedures. Either party may give written notice of the dispute requesting resolution under this Section and submit a reasonably detailed written statement of the position and reasons therefor with such notice. The other party will, within ten (10) days ((five (5) days if an Initial Construction Dispute) of receiving such written statement, submit to the party initiating the dispute resolution its own detailed written statement of the position and reasons therefor. The president of Tenant and Mark A. Deschenes, on behalf of Landlord (or such other persons as Landlord or Tenant may designate by written notice to the other), shall meet at the earliest mutually acceptable time and place, but in any case within thirty (30) days (ten (10) days if an Initial Construction Dispute) of the date of the response statement to attempt to resolve the dispute. If the matter has not been resolved within thirty (30) days (ten (10) days if an Initial Construction Dispute) of the date of the response statement, then either party may initiate arbitration of such controversy by written notice to the other (the "Arbitration Notice"). The arbitration shall be held before a single arbitrator. The parties shall endeavor to agree upon and name the arbitrator within the 15-day period following the giving of the Arbitration Notice. If the parties fail timely to agree upon and name the arbitrator, then unless the parties agree in writing to another procedure for designating the arbitrator, either party may by written notice given to the other and to the Boston office of the American Arbitration Association request that the arbitrator be promptly chosen by the Boston office of the American Arbitration Association. The arbitrator shall commence the arbitration hearing within ten (10) days after appointment, shall complete the arbitration hearing within thirty (30) days after the date the arbitration hearing commenced, and shall render a written arbitration decision within forty (40) days after the arbitration hearing commenced, which time periods may be extended by written agreement of the parties or by the arbitrator for good cause, except that any arbitration of Initial Construction Disputes shall be conducted on an expedited basis and shall be concluded, with a decision issued, no later than two (2) weeks after the date that such dispute was submitted for arbitration. The arbitration shall be conducted in accordance with then existing expedited procedures under the commercial arbitration rules of the American Arbitration Association; however, to the extent any provision of this paragraph is inconsistent with such procedures, the provisions of this paragraph shall govern. The decision of the arbitrator shall be final and binding upon the parties and judgment upon the decision rendered by the arbitrator may be entered in any court having jurisdiction thereof. The parties shall equally share and pay the costs of the arbitrator. Each party shall be afforded a reasonable opportunity to take discovery of the other prior to the commencement of such arbitration consistent with the expedited dispute resolution timetable set forth in this Section 16.17(b); *provided, however,* that each party shall be limited to a maximum of twelve (12) deposition hours each. Notwithstanding the foregoing or anything herein to the contrary, the dispute resolution provisions of this Section shall not apply to a dispute, claim or controversy in which: (i) a party claiming in

good faith a breach of any provision of this Lease by the other party seeks immediate equitable relief from a court of competent jurisdiction to enable the instituting party to prevent irreparable harm (alleged to arise from the alleged breach) pending agreed resolution or a grant of arbitral relief; or (ii) any claim by one party against the other party arises out of the subject matter of any court litigation or proceeding commenced by any third party against one party in which the other party is an indispensable party or third party defendant; or (iii) any claim is asserted with respect to which a third party, which is not bound and will not upon request of a party, agree to arbitrate, is an indispensable or necessary party.

16.18.Patriot Act. Notwithstanding any other provision contained in this Lease to the contrary, Tenant shall not knowingly transfer or permit the transfer of any legal or beneficial interest in Tenant to, or assign, sublease or otherwise Transfer all or any portion of its interest under this Lease or in all or any portion of the Premises to, or enter into any sublease to, any of the following (except that nothing in this Section 16.18 shall apply to the offer or transfer of shares in Tenant or shares in any shareholder of Tenant on a national stock exchange):

(a) any person or entity (or any person or entity whose operations are directed or controlled by a person or entity) that has been convicted of or has pleaded guilty in a criminal proceeding to a felony or that is an on-going target of a grand jury investigation convened pursuant to applicable statutes concerning organized crime;

(b) any entity organized in or controlled from a country, the activities with respect to which are regulated or controlled pursuant to the following United States laws and the regulations or executive orders promulgated thereunder: (1) the Trading with the Enemy Act of 1917, 50 U.S.C. App. §1, *et seq.*, as amended; (2) the International Emergency Economic Powers Act of 1976, 50 U.S.C. §1701, *et seq.*, as amended; or (3) the Anti-Terrorism and Arms Export Amendments Act of 1989, codified at Section 6(j) of the Export Administration Act of 1979, 50 U.S.C. App. §2405W, as amended; or

(c) any person or entity with whom Landlord is restricted from doing business under either (1) Executive Order No. 13224 on Terrorist Financing (effective September 24, 2001 (as amended or supplemented from time to time, the "**Executive Order**"), or (2) the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 10756; as amended, from time to time, the "**Patriot Act**"), or (3) the regulations of the United States Department of the Treasury Office of Foreign Assets Control (including those Persons named on the list of "Specially Designated Nationals and Blocked Persons" as modified from time to time), or other governmental action; or

(d) any Affiliate of any of the persons or entities described in the preceding paragraphs (a), (b) or (c).

Tenant shall, simultaneously with its execution and delivery of this Lease upon request of Landlord, deliver to Landlord a certification stating that, to the best of Tenant's knowledge, except for the shareholders of Tenant, with respect to which Tenant makes no representation, neither Tenant nor any of its constituent partners, beneficiaries or Affiliates, are in violation of any Legal Requirements relating to terrorism or money laundering, including the Executive Order and the Patriot Act and that neither Tenant, nor its constituent partners, beneficiaries or Affiliates, are

listed on the United States Department of the Treasury Office of Foreign Assets Control list of "Specially Designated Nationals and Blocked Persons" as modified from time to time, and that none of them is otherwise subject to the provisions of the Executive Order or the Patriot Act, or any rules or regulations promulgated thereunder. Thereafter, Tenant shall from time to time, within ten (10) days after request by Landlord, deliver to Landlord a certification stating that, to the best of Tenant's knowledge, except for the shareholders of Tenant, with respect to which Tenant makes no representation, neither Tenant nor any of its constituent partners, beneficiaries or Affiliates, are in violation of any Legal Requirements relating to terrorism or money laundering, including the Executive Order and the Patriot Act and that neither Tenant nor any of its constituent partners, beneficiaries or Affiliates, are listed on the United States Department of the Treasury Office of Foreign Assets Control list of "Specially Designated Nationals and Blocked Persons" as modified from time to time, and that none of them is otherwise subject to the provisions of the Executive Order or the Patriot Act, or any rules or regulations promulgated thereunder. In addition, following any Transfer, Tenant shall from time to time, within ten (10) days after request by Landlord, make diligent efforts to obtain a comparable certification from each Transferee and deliver the same to Landlord. As used in this Lease, the term "**Affiliate**" shall mean, with respect to any specific person or entity, any other person or entity which, directly or indirectly, controls or is controlled by or is under common control with such first-mentioned person or entity. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any entity, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through the ownership of voting stock or by contract or otherwise.

16.19.Confidentiality. Landlord and Tenant each agrees to keep the terms and provisions of this Lease confidential, and further agrees that neither it nor its partners, members, shareholders, officers, directors, employees, brokers, or attorneys shall disclose such matters or information to any other person or entity; *provided, however*: (i) either party may provide a copy of this Lease and/or disclose any of its terms and provisions, including but not limited to the Work Letter, to its architect, contractors, construction manager, consultants attorneys, accountants, auditors, advisors and lenders in connection with the conduct of such party's business; and (ii) disclosure of such matters or information shall be permitted (x) subject to the provisions of this Section set forth below, to the extent to which it is required by applicable laws (including, without limitation, in connection with any required governmental filings by or on behalf of Landlord or Tenant); (y) in connection with any litigation or other proceeding between Landlord and Tenant relating to this Lease and/or the Premises; and (z) by Tenant to prospective subtenants or assignees under this Lease, or by Landlord to prospective lenders, investors or purchasers of the Building. Subject to the terms and conditions of this Section, Tenant hereby acknowledges that disclosure of the terms hereof could adversely affect the ability of Landlord to negotiate other leases with respect to the Building and may impair Landlord's relationship with other tenants of the Building, and agrees that damages alone would be an inadequate remedy for the breach of this provision by Tenant, so that 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.

(the next page is the signature page)

Executed to take effect as a sealed instrument on the Date of Lease first set forth above.

LANDLORD:

480 ARSENAL GROUP LLC,
a Massachusetts limited liability company

By: /s/ William McQuillan
Name: William McQuillan
Title: Manager

TENANT:

AILERON THERAPEUTICS, INC.,
a Delaware corporation

By: /s/ Donald Dougherty
Name: Donald Dougherty
Title: Chief Financial Officer

Schedule 1

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SEPARATION AND RELEASE OF CLAIMS AGREEMENT

This Separation and Release of Claims Agreement (the "Agreement") is made by and between Aileron Therapeutics, Inc. (the "Company") and Joseph A. Yanchik III ("Executive") (together, the "Parties").

WHEREAS, the Company and Executive are parties to the Aileron Therapeutics, Inc. Employment Agreement dated as of March 1, 2008 (the "Employment Agreement");

WHEREAS, the Parties mutually have agreed to establish terms for Executive's separation from employment with the Company, including, without limitation, Executive's resignation, effective as of May 15, 2018 (the "Separation Date"), from employment with the Company, and from his positions as President and Chief Executive Officer of the Company, and from any and all other positions he held as an officer of the Company and/or as a member of the Board of Directors of the Company (the "Board"); and

WHEREAS, the Parties agree that the payments, benefits and rights set forth in this Agreement shall be the exclusive payments, benefits and rights due to Executive, and the Parties acknowledge and agree that Executive is not eligible to receive any other payments or benefits as a result of his resignation from the Company, including, without limitation, pursuant to the Employment Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. **Accrued Obligations** – The Parties agree that Executive is entitled to receive, in accordance with the Company's regular payroll practices, all unpaid base salary earned through the Separation Date, including any amounts for accrued unused vacation time to which Executive is entitled through such date in accordance with Company policy, and reimbursement of any properly incurred unreimbursed business expenses incurred through the Separation Date (together, the "Accrued Obligations"). As of the Separation Date, all salary payments from the Company ceased and any benefits Executive had as of the Separation Date under Company-provided benefit plans, programs, or practices terminated, except as required by federal or state law or as otherwise specifically set forth in this Agreement.

2. **Separation Benefits** – Provided that Executive: (i) has, effective as of the Separation Date, resigned from employment with the Company, and from his positions as President and Chief Executive Officer of the Company, and from any and all other positions he held as an officer of the Company and/or as a member of the Board, (ii) signs and returns this Agreement no earlier than the Separation Date but no later than June 1, 2018, and (iii) does not revoke his agreement as set forth in Section 14 below, the Company will provide Executive with the following separation benefits (the "Separation Benefits"):

    a. Severance Pay – Commencing on the Company's first regularly scheduled payroll date that follows the Agreement Effective Date (as defined below) (the "Payment Commencement Date") and continuing for a twelve (12) month period thereafter (the "Severance Period"), Executive will receive salary continuation payments, in equal installments in accordance with the Company's regular payroll practices, in an aggregate amount equal to one (1) year of Executive's base salary as of the Separation Date ("Salary Continuation"). The Salary Continuation payments will be subject to all applicable taxes and withholdings.

b. Group Health Insurance – Should Executive be eligible for and timely elect to continue receiving group health and/or dental insurance coverage under the law known as COBRA, the Company shall, continuing until the earlier of (x) the expiration of the Severance Period, and (y) the date on which Executive becomes eligible to receive group health insurance coverage through another employer (as applicable, the "COBRA Contribution Period"), pay on Executive's behalf the portion of the monthly premiums for such coverage that it pays for active and similarly situated employees receiving the same type of coverage. The balance of such premiums during the COBRA Contribution Period, and all premium costs thereafter, shall be paid by Executive on a monthly basis during the elected period of health insurance coverage under COBRA for as long as, and to the extent that, he remains eligible for and elects to remain enrolled in COBRA continuation coverage. Executive agrees that, should he become eligible during the Severance Period to receive group health insurance coverage through another employer, he immediately shall notify the Company in writing of the date of eligibility for such coverage.

c. Accelerated Vesting of Stock Options – Effective as of the Agreement Effective Date, and notwithstanding the terms of the Company's 2006 Stock Incentive Plan, 2016 Stock Incentive Plan or 2017 Stock Incentive Plan, or the stock option agreements between Executive and the Company in connection therewith dated June 18, 2015 for 329,334 shares of common stock (the "2015 Option"), March 2, 2017 for 159,001 shares of common stock (the "March 2017 Option") and July 25, 2017 for 157,449 shares of common stock (the "July 2017 Option"), the Company will accelerate the vesting of: (i) the 2015 Option, such that the number of shares vested as of the Agreement Effective Date will be 274,445, (ii) the March 2017 Option, such that the number of shares vested as of the Agreement Effective Date will be 66,250 and (iii) the July 2017 Option, such that the number of shares vested as of the Agreement Effective Date will be 49,202 (all such accelerated options, collectively, the " Accelerated Options"). The Accelerated Options will remain exercisable with respect to shares that would have vested as of the Separation Date in the absence of this Section 2(c), and will also be deemed exercisable with respect to any additional shares vested pursuant to this Section 2(c), for the period set forth in Section 2(d) below.

d. Extended Option Exercise Period – Effective as of the Agreement Effective Date, the Company will extend, until such date that is twenty-four (24) months following the Separation Date, the exercise period for all outstanding options to purchase shares of the Company's common stock in which Executive has vested, including pursuant to Section 2(c) above. Executive understands that options subject to this extended exercise period shall cease to be treated for tax purposes as an incentive stock option.

e. Bonus Eligibility – The Company agrees that Executive will be eligible for a performance-based bonus of up to $87,166 based on the Company's achievement of performance milestones agreed to by the Company and Executive for 2018 at the March 2018 Board of Directors meeting, as determined by the Board in its sole discretion.

Other than the Separation Benefits and Accrued Obligations, Executive will not be eligible for, nor shall he have a right to receive, any payments or benefits from the Company following the Separation Date.

It is intended that each installment of the separation payments and benefits provided under this Agreement shall be treated as a separate "payment" for purposes of Section 409A of the Internal

Revenue Code of 1986, as amended, and the guidance issued thereunder ("Section 409A"). Neither the Company nor Executive shall have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A.

3. **Release of Claims** – In exchange for the consideration set forth in this Agreement, which Executive acknowledges he would not otherwise be entitled to receive, Executive hereby fully, forever, irrevocably and unconditionally releases, remises and discharges the Company, its affiliates, subsidiaries, parent companies, predecessors, and successors, and all of their respective past and present officers, directors, stockholders, partners, members, employees, agents, representatives, plan administrators, attorneys, insurers and fiduciaries (each in their individual and corporate capacities) (collectively, the "Released Parties") from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities, and expenses (including attorneys' fees and costs), of every kind and nature that Executive ever had or now has against any or all of the Released Parties, whether known or unknown, including, but not limited to, any and all claims arising out of or relating to Executive's employment with, separation from, and/or ownership of securities of the Company, including, but not limited to, all claims under Title VII of the Civil Rights Act, the Americans With Disabilities Act, the Age Discrimination in Employment Act, the Genetic Information Nondiscrimination Act, the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, the Rehabilitation Act, Executive Order 11246, Executive Order 11141, the Fair Credit Reporting Act, and the Employee Retirement Income Security Act, all as amended; all claims arising out of the Massachusetts Fair Employment Practices Act, Mass. Gen. Laws ch. 151B, § 1 et seq., the Massachusetts Wage Act, Mass. Gen. Laws ch. 149, § 148 et seq. (Massachusetts law regarding payment of wages and overtime), the Massachusetts Civil Rights Act, Mass. Gen. Laws ch. 12, §§ 11H and 11I, the Massachusetts Equal Rights Act, Mass. Gen. Laws. ch. 93, § 102 and Mass. Gen. Laws ch. 214, § 1C, the Massachusetts Labor and Industries Act, Mass. Gen. Laws ch. 149, § 1 et seq., Mass. Gen. Laws ch. 214, § 1B (Massachusetts right of privacy law), the Massachusetts Maternity Leave Act, Mass. Gen. Laws ch. 149, § 105D, and the Massachusetts Small Necessities Leave Act, Mass. Gen. Laws ch. 149, § 52D, all as amended; all common law claims including, but not limited to, actions in defamation, intentional infliction of emotional distress, misrepresentation, fraud, wrongful discharge, and breach of contract (including, without limitation, all claims arising out of or related to the Employment Agreement); all claims to any non-vested ownership interest in the Company, contractual or otherwise (except as, and only to the extent, explicitly set forth in Section 2(d) above); all state and federal whistleblower claims to the maximum extent permitted by law; and any claim or damage arising out of Executive's employment with and/or separation from the Company (including a claim for retaliation) under any common law theory or any federal, state or local statute or ordinance not expressly referenced above; provided, however, that this release of claims shall not (i) prevent Executive from filing a charge with, cooperating with, or participating in any investigation or proceeding before, the Equal Employment Opportunity Commission or a state fair employment practices agency (except that Executive acknowledges that he may not recover any monetary benefits in connection with any such charge, investigation, or proceeding, and Executive further waives any rights or claims to any payment, benefit, attorneys' fees or other remedial relief in connection with any such charge, investigation or proceeding), (ii) deprive Executive of any accrued benefits to which Executive has, as of the Separation Date, acquired a vested right under any employee benefit plan or policy or stock plan, or any health care continuation to the extent required by applicable law; or (iii) deprive Executive of any rights Executive may have to be indemnified by the Company as provided in any agreement between the Company and Executive or pursuant to the Company's Certificate of Incorporation or by-laws or under any applicable

directors' and officers' liability insurance policy maintained by the Company; provided, however, that nothing herein shall be construed as an acknowledgment or guaranty by the Company that Executive has any such rights to indemnification, nor does this Agreement create any additional rights for Executive to indemnification.

4. **Continuing Obligations** – Executive acknowledges and reaffirms Executive's obligation to keep confidential and not to use or disclose any and all non-public information concerning the Company that Executive acquired during the course of Executive's employment with the Company, including any non-public information concerning the Company's business affairs, business prospects, and financial condition, except as otherwise permitted by Section 8 below. Further, Executive acknowledges and reaffirms all of Executive's continuing obligations to the Company as set forth in the Confidentiality and Inventions Agreement that Executive previously executed for the benefit of the Company on December 22, 2006, and reaffirmed in connection with the Employment Agreement (the "Restrictive Covenants Agreement"), which remain in full force and effect, and which survive Executive's separation from the Company.

5. **Non-Disparagement** – Executive understands and agrees that, except as otherwise permitted by Section 8 below, Executive will not, in public or private, make any false, disparaging, negative, critical, adverse, derogatory or defamatory statements, whether orally or in writing, including online or otherwise, to any person or entity, including, but not limited to, any media outlet, industry group, financial institution or current or former employee, board member, consultant, client or customer of the Company, regarding the Company or any of the other Released Parties, or regarding the Company's business affairs, business prospects, or financial condition. The Company agrees to direct its Board members and its named executive officers (as determined pursuant to Item 402(a)(3) of Regulation S-K) to not, in public or private, make any false, disparaging, negative, critical, adverse, derogatory or defamatory statements, whether orally or in writing, including online or otherwise, to any person or entity, including, but not limited to, any media outlet, industry group, financial institution or current or former employee, board member, consultant, client or customer of the Company, regarding Executive; provided, however, that nothing in this Section 5 shall be construed as requiring the restriction or limitation of such Board members or named executive officers from disclosing events or circumstances in such manner as they or the Company deem necessary to comply with or satisfy their or the Company's disclosure, reporting or other obligations under applicable law.

6. **Return of Company Property; Personal E-mail Management** – Executive confirms that he has returned to the Company all keys, files, records (and copies thereof), equipment (including, but not limited to, computer hardware, software, printers, flash drives and other storage devices, wireless handheld devices, cellular phones, tablets, etc.), Company identification, and any other Company owned property in his possession or control, and that he has left intact all, and has otherwise not destroyed, deleted, or made inaccessible to the Company any, electronic Company documents, including, but not limited to, those that he developed or helped to develop during his employment, and that he has not (a) retained any copies in any form or media; (b) maintained access to any copies in any form, media, or location; (c) stored any copies in any physical or electronic locations that are not readily accessible or not known to the Company or that remain accessible to him; or (d) sent, given, or made accessible any copies to any persons or entities that the Company has not authorized to receive such electronic or hard copies; provided, however, that the Company agrees that Executive may retain the two computers provided to him by the Company, provided that he delivers such computers to the Company so that the Company may delete or confirm the deletion of all Company information contained thereon. Executive further confirms that he has cancelled all accounts for his benefit, if any, in the Company's name, including but not limited to, credit cards, telephone charge cards, cellular phone accounts, and

computer accounts. The Company agrees that it will reasonably cooperate with Executive to delete from Executive's Company e-mail account personal e-mails, including e-mails that include personal information about Executive's family members. Although e-mails sent to Executive after the Separation Date will be redirected to the Company's Chief Financial Officer, the Company agrees, for a one-month period following the Separation Date, to put in place a "bounce back" message advising senders of the personal e-mail address at which Executive may be reached for matters not pertaining to the Company.

7. **Confidentiality** – Executive understands and agrees that, except as otherwise permitted by Section 8 below, the contents of the negotiations and discussions resulting in this Agreement shall be maintained as confidential by Executive and shall not be disclosed except as otherwise agreed to in writing by the Company and except for disclosure to his immediate family and legal, financial and tax advisors, in each case on the condition that any individuals so informed must hold the above information in strict confidence.

8. **Scope of Disclosure Restrictions** – Nothing in this Agreement or elsewhere prohibits Executive from communicating with government agencies about possible violations of federal, state, or local laws or otherwise providing information to government agencies, filing a complaint with government agencies, or participating in government agency investigations or proceedings. Executive is not required to notify the Company of any such communications; provided, however, that nothing herein authorizes the disclosure of information Executive obtained through a communication that was subject to the attorney-client privilege. Further, notwithstanding Executive's confidentiality and nondisclosure obligations, Executive is hereby advised as follows pursuant to the Defend Trade Secrets Act: "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order."

9. **Cooperation** – Executive agrees that, to the extent permitted by law and subject to his reasonable availability, he shall: (i) during the Severance Period, make himself reasonably available to the Company on an as-needed basis in connection with assisting with the orderly transfer of his work to other employees, following reasonable notice by the Company and without receiving any compensation in addition to the Severance Benefits (it being acknowledged by Executive that a condition of the Company's provision of the Separation Benefits described above is his provision of such assistance), and (ii) reasonably cooperate in any dispute (including, without limitation, litigation or administrative action) involving the Company that relates in any way to Executive's activities while employed by the Company. Executive's reasonable cooperation in connection with subsection (ii) hereunder shall include, but not be limited to, being available to meet with the Company's counsel, at reasonable times and locations designated by the Company, to investigate or prepare the Company's claims or defenses, to prepare for trial or discovery or an administrative hearing, mediation, arbitration or other proceeding, to provide any relevant information in his possession, and to act as a witness when requested by the Company. The Company will reimburse Executive for all reasonable and documented out of pocket costs that he incurs to comply with this Section. Executive further agrees that, to the extent permitted by law, he will notify the Company promptly in the event that he is served with a subpoena (other than a

subpoena issued by a government agency), or in the event that he is asked to provide a third party (other than a government agency) with information concerning any actual or potential complaint or claim against the Company.

10. **Amendment and Waiver** – This Agreement shall be binding upon the Parties and may not be modified in any manner, except by an instrument in writing of concurrent or subsequent date signed by duly authorized representatives of the Parties. This Agreement is binding upon and shall inure to the benefit of the Parties and their respective agents, assigns, heirs, executors/administrators/personal representatives, and successors. No delay or omission by the Company in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion shall be effective only in that instance and shall not be construed as a bar to or waiver of any right on any other occasion.

11. **Validity** – Should any provision of this Agreement be declared or be determined by any court of competent jurisdiction to be illegal or invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby and said illegal or invalid part, term or provision shall be deemed not to be a part of this Agreement.

12. **Nature of Agreement –** Both Parties understand and agree that this Agreement is a separation agreement and does not constitute an admission of liability or wrongdoing on the part of the Company or Executive.

13. **Business Expenses; Final Compensation** – Executive acknowledges that he has been reimbursed by the Company for all business expenses incurred in conjunction with the performance of his employment and that no other reimbursements are owed to him. Executive further acknowledges that he has received all compensation due to him from the Company, including, but not limited to, all wages, bonuses and accrued, unused vacation time, and that he is not eligible or entitled to receive any additional payments or consideration from the Company beyond that provided for in Section 2.

14. **Time for Consideration and Revocation –** Executive acknowledges that he was initially presented with this Agreement on May 10, 2018 (the "Receipt Date"). Executive understands that this Agreement shall be of no force or effect unless he (a) signs and returns this Agreement on or before June 1, 2018, and (b) does not change his mind and revoke his agreement in writing during the seven (7) day period after he has signed the Agreement (the "Revocation Period"). If Executive does not so revoke his agreement, this Agreement shall become effective and enforceable on the date following the expiration of the Revocation Period (the "Agreement Effective Date").

15. **Acknowledgments –** Executive acknowledges that he has been given at least twenty-one (21) days from the Receipt Date to consider this Agreement (the "Consideration Period") and that the Company is hereby advising him to consult with an attorney of his own choosing prior to signing this Agreement. Executive further acknowledges and agrees that any changes made to this Agreement following his initial receipt of this Agreement on the Receipt Date, whether material or immaterial, shall not re-start or affect in any manner the Consideration Period. Executive understands that he may revoke this Agreement for a period of seven (7) days after he signs it by notifying the Company in writing, and that this Agreement shall not be effective or enforceable until the expiration of the seven (7) day revocation period. Executive understands and agrees that by entering into this Agreement he is waiving any and all rights or claims he might have under

the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, and that he has received consideration beyond that to which he was previously entitled.

16. **Voluntary Assent –** Executive affirms that no other promises or agreements of any kind have been made to or with Executive by any person or entity whatsoever to cause him to sign this Agreement, and that he fully understands the meaning and intent of this Agreement. Executive further affirms that he was advised to consult with counsel of his own choosing prior to accepting this Agreement. Executive states and represents that he has carefully read this Agreement, understands the contents herein, freely and voluntarily assents to all of the terms and conditions hereof, and signs his name of his own free act.

17. **Governing Law** – This Agreement shall be interpreted and construed by the laws of the Commonwealth of Massachusetts, without regard to conflict of laws provisions. Executive hereby irrevocably submits to and acknowledges and recognizes the jurisdiction of the courts of the Commonwealth of Massachusetts, or if appropriate, a federal court located in the Commonwealth of Massachusetts (which courts, for purposes of this letter agreement, are the only courts of competent jurisdiction), over any suit, action or other proceeding arising out of, under or in connection with this Agreement or the subject matter hereof.

18. **Entire Agreement** – This Agreement contains and constitutes the entire understanding and agreement between the Parties hereto with respect to Executive's separation from the Company, separation benefits and the settlement of claims against the Company, and cancels all previous oral and written negotiations, agreements, commitments and writings in connection therewith; provided, however, that nothing in this Section 18 supersedes Section 4 above or the Restrictive Covenants Agreement referenced therein; and provided further that except as amended hereby, the stock options held by Executive shall remain in full force and effect in accordance with their terms.

19. **Tax Acknowledgement** – In connection with the Separation Benefits provided to Executive pursuant to this Agreement, the Company shall withhold and remit to the tax authorities the amounts required under applicable law, and Executive shall be responsible for all applicable taxes owed by him with respect to such Separation Benefits under applicable law. Executive acknowledges that he is not relying upon the advice or representation of the Company with respect to the tax treatment of any of the Separation Benefits set forth in this Agreement. Executive further acknowledges and agrees that the Company is not making any representations or warranties to him and shall have no liability to him or any other person if any provisions of or payments and benefits provided under this Agreement are determined to constitute deferred compensation subject to Section 409A but not to satisfy an exemption from, or the conditions of, that section.

20. **Counterparts** – This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement. Facsimile and PDF signatures shall be deemed to be of equal force and effect as originals.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the Parties have set their hands and seals to this Agreement as of the date(s) written below.

AILERON THERAPEUTICS, INC.

By: /s/ Jeff Bailey Date: May 15, 2018
Name: Jeff Bailey
Title: Chairman of the Board of Directors

EXECUTIVE

/s/ Joseph A. Yanchik III Date: May 15, 2018
Joseph A. Yanchik III

AILERON THERAPEUTICS, INC.
EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into as of the 15th day of May, 2018 by and between Aileron Therapeutics, Inc., a Delaware corporation (the "Company"), and John Longenecker (the "Executive").

W I T N E S S E T H

WHEREAS, the Company and the Executive desire to enter into an employment relationship pursuant to the terms and conditions set forth in this Agreement;

NOW THEREFORE, in consideration of the foregoing, of the mutual promises contained herein and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **POSITION/DUTIES**. The Executive's employment with the Company shall commence on May 15, 2018 (the "Commencement Date"). While employed by the Company under the terms of this Agreement, the Executive shall serve as President and Chief Executive Officer on an interim basis. In this interim position, the Executive shall report to the Company's Board of Directors (the "Board") and shall have such duties, authorities and responsibilities as are customary with such position in a Delaware corporation (subject to the control of the Board and its committees), and shall perform such other duties as may be reasonably requested by the Board, including without limitation assisting the Board in the hiring of a new chief executive officer for the Company (the "New CEO"). As an employee of the Company, the Executive will devote his full business time and efforts to the Company.

In connection with the Executive's employment with the Company, it is anticipated that the Executive shall primarily work at the Company's headquarters in Massachusetts (the "Massachusetts Office"). In addition, the Executive may be required to engage in travel from time to time as may be reasonably requested by the Board and/or as necessitated by the Company's business needs.

The Executive shall also be required to comply with all Company policies and procedures as in effect from time to time. Without limiting the foregoing, the Executive will in particular be required to familiarize himself with and to comply with the Company's published policy prohibiting unlawful harassment and discrimination and its published policy concerning drugs and alcohol.

2. **BASE SALARY AND BONUSES**. The Company agrees to pay the Executive a base salary at the rate of $43,558.33 per monthly pay period which if annualized equals five hundred twenty-two thousand seven hundred dollars ($522,700) (the "Base Salary"), to be paid in accordance with the Company's normal payroll procedure and policies. Following the end of each calendar year that the Executive is employed by the Company or as applicable following the termination of the Executive's employment in connection with the hiring of the New CEO, the Executive may be eligible to receive a discretionary performance bonus of up to fifty percent (50%) of his Base Salary as of such time, based upon the achievement of performance milestones

that shall have been set by the Board or the Compensation Committee, the amount of such bonus and the achievement of such milestones being determined by the Board in its sole discretion. Any such discretionary bonus shall be paid to the Executive in accordance with the Company's customary practices. Any bonus would be pro-rated for the 2018 calendar year. All compensation payable to the Executive pursuant to this Agreement shall be subject to applicable taxes and withholdings.

3. **BENEFITS/PERQUISITES**.

(a) **Benefit Plans**. The Executive may participate in all benefit programs that the Company establishes and makes available to its employees from time to time, provided that the Executive is eligible under, and subject to the provisions of the plan documents governing those programs. Benefits are subject to change at any time in the Company's sole discretion.

(b) **Vacation and Sick Leave**. Notwithstanding the Company's vacation policy, the Executive shall not be eligible for any paid vacation. The Executive shall be entitled to sick leave and all Company holidays as determined by the Board in accordance with applicable law, on the same terms as similarly situated senior executives of the Company.

(c) **Business Expenses; Massachusetts Travel Expenses**. Upon presentation of appropriate documentation, the Executive shall be reimbursed in accordance with the Company's expense reimbursement policy for all reasonable and necessary business expenses incurred in connection with the performance of his duties hereunder. Further, in order to assist with the Executive's travel, lodging and meals in connection with his work at the Massachusetts Office, the Company will reimburse the Executive for reasonable expenses incurred by the Executive for such travel, lodging and meals (the "Massachusetts Travel Expenses") up to a dollar amount per month agreed to by the Company and the Executive; provided, however, that if the Company and the Executive can not agree on such amount within thirty (30) days after the Commencement Date, the Company shall have the right to set such amount in good faith in its sole discretion. The Massachusetts Travel Expenses will be reimbursed in accordance with Company policy, provided that the Executive delivers to the Company reasonable substantiation and documentation of the Massachusetts Travel Expenses.

4. **EQUITY**. Subject to the approval of the Board, the Executive will be granted an option under the Company's 2017 Stock Incentive Plan to purchase 30,000 shares of common stock of the Company (the "Option") at a per share option exercise price equal to the fair market value of the common stock of the Company as of the date of the grant. The Option shall become exercisable ("vest") in full on the earlier of the date four months from the Commencement Date or the date on which the Executive's employment is terminated in connection with the hiring of the New CEO. No vesting shall occur after termination of the Executive's employment. The Option will be subject to all of the terms, conditions and termination provisions of an option agreement evidencing the grant of the Option, which agreement will be consistent with the Plan**.**

5. **AT WILL EMPLOYMENT; CONFIDENTIALITY, INVENTIONS AND RESTRICTIVE COVENANT AGREEMENT**. It is understood that the Executive's employment by the Company is not for any stated term, but rather shall be on an "at will" basis and may be terminated at any time, with or without cause or notice, at the Executive's option or

the option of the Company, as the case may be. Similarly, it is understood that nothing in this Agreement shall be construed as an agreement, either express or implied, to pay the Executive any compensation or grant the Executive any benefit beyond the end of the Executive's employment with the Company. Notwithstanding the foregoing, the Company may not terminate the Executive's employment with the Company prior to the date sixty (60) days after the Commencement Date unless it shall agree to continue to pay to the Executive his base salary until such sixtieth (60^{th}) date. The Executive's commencement of employment with the Company is conditioned upon his signing a Confidentiality, Inventions, Restrictive Covenant Agreement in the form attached hereto as Exhibit A.

6. **TERMINATION OF EMPLOYMENT**. If the Executive's employment is terminated by the Company or by the Executive for any reason, the Company shall pay or provide to the Executive (or to the Executive's estate or representative): (i) any accrued but unpaid Base Salary and any vacation time accrued but unused through the date of termination of employment; (ii) any bonus amount not yet paid that was earned during the calendar year preceding the date of termination of employment; (iii) reimbursement for any unreimbursed expenses properly incurred and documented through the date of termination of employment; and (iv) all other payments or benefits to which the Executive may be entitled through the date of his termination of employment under the terms of any applicable compensation arrangement or plan or by law ((i) to (iv) collectively referred to as the "Accrued Benefits"). Other than the Accrued Benefits, the Executive will not be eligible to receive any severance or any other payments or benefits from the Company following the date of termination of employment.

7. **INDEMNIFICATION AND INSURANCE**. The Executive shall be entitled to indemnification to the fullest extent permitted by the Company's Certificate of Incorporation and shall be entitled to coverage under the Company's directors' and officers' liability insurance policy to the same extent as other senior executives of the Company.

8. **NOTICE**. Any purported termination of employment hereunder shall be communicated through written notice from the terminating party. Such notice and all other communications that are required or may be given pursuant to the terms of this Agreement shall be in writing and shall be sufficient in all respects if given in writing and shall be deemed given: (i) if delivered personally, on the date of delivery; (ii) if mailed by certified or registered mail (return receipt requested and postage prepaid), three (3) days after the mailing date; (iii) if sent via a nationally recognized overnight courier, on the next business day thereafter; or (iv) if sent via facsimile confirmed in writing to the recipient, on the next business day thereafter. In each of the above cases, notice to the Company should be sent to the Company's principal place of business, notice to the Executive should be sent to his home address most recently on file with the Company, or notice to either the Company or the Executive should be sent to such other address or addresses as either party shall have designated in writing to the other party hereto.

9. **REPRESENTATION**. The Executive represents that he has disclosed to the Company all confidentiality, non-competition, non-solicitation, rights to inventions and other similar agreements under which he is currently bound. The Executive further represents and warrants to the Company that he has the legal right to enter into this Agreement and to perform all of the obligations on his part to be performed hereunder in accordance with its terms and that he

is not a party to any agreement or understanding, written or oral, which could prevent him from entering into this Agreement or performing all of his obligations hereunder.

10. **PROOF OF LEGAL RIGHT TO WORK**. For purposes of federal immigration law, the Executive will be required to provide the Company with documentary evidence of the Executive's identity and eligibility for employment in the United States. Such documentation must be provided to the Company within three (3) business days of the Executive's date of hire, or the Company's employment relationship with the Executive may be terminated. The Executive may need to obtain a work visa in order to be eligible to work in the United States. If that is the case, the Executive's employment with the Company will be conditioned upon the Executive obtaining a work visa in a timely manner as determined by the Company.

11. **MISCELLANEOUS**. This Agreement sets forth the terms of the Executive's employment with the Company and supersedes any prior representations or agreements, whether written or oral, relating to the subject matter of this Agreement. This Agreement may be modified or amended only by an instrument in writing signed by the Executive and the Company. The Executive states and represents that he has had an opportunity to fully discuss and review the terms of this Agreement with an attorney. The Executive further states and represents that he has carefully read this Agreement, understands the contents herein, freely and voluntarily assents to all of the terms and conditions hereof, and signs his name of his own free act. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without regard to the conflict of law provisions thereof. This Agreement shall be binding upon, and inure to the benefit of, the Executive and the Company and the Executive's and the Company's respective heirs, successors, legal representatives and assigns. If any part of this Agreement is held by a court of competent jurisdiction to be invalid, illegible or incapable of being enforced in whole or in part by reason of any rule of law or public policy, such part shall be deemed to be severed from the remainder of this Agreement for the purpose only of the particular legal proceedings in question and all other covenants and provisions of this Agreement shall in every other respect continue in full force and effect and no covenant or provision shall be deemed dependent upon any other covenant or provision. This Agreement may be signed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same agreement. Facsimile copies of signed signature pages shall be binding originals.

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement as of the dates set forth below.

AILERON THERAPEUTICS, INC.

By: /s/ Jeff Bailey
Chairman of the Board

Date: May 15, 2018

JOHN LONGENECKER

/s/ John P. Longenecker

Date: May 14, 2018

Exhibit 31.1

Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, John P. Longenecker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aileron Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) 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

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

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

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

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

Aileron Therapeutics, Inc.

/s/ John P. Longenecker
John P. Longenecker
President and Chief Executive Officer

Dated: August 7, 2018

Exhibit 31.2

Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Donald V. Dougherty certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aileron Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) 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

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

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

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

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

Aileron Therapeutics, Inc.

/s/ Donald V. Dougherty
Donald V. Dougherty
Principal Financial Officer and Chief Financial Officer

Dated: August 7, 2018

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Aileron Therapeutics, Inc. (the "Company") for the quarter ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, John P. Longenecker, President and Chief Executive Officer of the Company, hereby certifies, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that to his 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 Company.

Dated: August 7, 2018

/s/ John P. Longenecker
John P. Longenecker
President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Aileron Therapeutics, Inc. (the "Company") for the quarter ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Donald V. Dougherty, Chief Financial Officer of the Company, hereby certifies, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that to his 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 Company.

Dated: August 7, 2018

/s/ Donald V. Dougherty
Donald V. Dougherty
Principal Financial Officer and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.