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

FORM 10-Q

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

For the quarterly period ended September 30, 2018

or

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

For the transition period from _____ to _____

Commission File Number: 001-36152

Aerie Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-3109565**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

4301 Emperor Boulevard, Suite 400
Durham, North Carolina 27703
(919) 237-5300
(Address of principal executive offices, zip code and telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes: ☒ No: ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 smaller reporting company)	Smaller reporting company	☐
Emerging growth company	☐		

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

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

As of October 31, 2018, there were 45,453,615 shares of the registrant's common stock, par value $0.001, outstanding.

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Unless otherwise indicated or the context requires, the terms "Aerie," "Company," "we," "us" and "our" refer to Aerie Pharmaceuticals, Inc. and its subsidiaries. References to "approved products" means products approved by the U.S. Food and Drug Administration ("FDA") or other regulatory authorities; references to "product candidates" means products that have been developed but not yet approved by the FDA or other regulatory authorities; references to "future product candidates" means products that have not yet been developed.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We may, in some cases, use terms such as "predicts," "believes," "potential," "proposed," "continue," "estimates," "anticipates," "expects," "plans," "intends," "may," "would," "could," "might," "will," "should," "exploring," "pursuing" or other words that convey uncertainty of future events or outcomes to identify these forward-looking statements.

Forward-looking statements appear in a number of places throughout this report and include statements regarding our intentions, beliefs, projections, outlook, analyses or current expectations concerning, among other things:

- the potential future sales of Rhopressa® (netarsudil ophthalmic solution) 0.02% ("Rhopressa®") and the potential commercial launch and potential future sales of Rocklatan™ (netarsudil/latanoprost ophthalmic solution) 0.02%/0.005% ("Rocklatan™"), previously referred to as Roclatan™, in the United States, and any future product candidates, if approved;
- the potential future sales in markets outside of the United States of Rhopressa®, named Rhokiinsa® (netarsudil ophthalmic solution) 0.02% ("Rhokiinsa®") in Europe, or Rocklatan™, or their equivalents, and any future product candidates;
- our commercialization, marketing, manufacturing and supply management capabilities and strategies;
- third-party payer coverage and reimbursement for our approved products (currently only Rhopressa® in the United States), product candidates and any future product candidates, if approved;
- the glaucoma patient market size and the rate and degree of market adoption of our approved products, product candidates and any future product candidates, if approved, by eye care professionals and patients;
- the timing, cost or other aspects of the commercial launch of our approved products, product candidates and any future product candidates, if approved;
- the success, timing and cost of our ongoing and anticipated preclinical studies and clinical trials for our product candidates and any future product candidates with respect to regulatory approval outside the United States, including statements regarding the timing of initiation and completion of the studies and trials;
- our expectations regarding the effectiveness of our approved products, product candidates and any future product candidates and results of our clinical trials and any potential preclinical studies;
- the timing of and our ability to request, obtain and maintain FDA or other regulatory authority approval of, or other action with respect to our approved products, product candidates and any future product candidates in the United States, Canada, Europe, Japan and elsewhere, including the expected timing of, and regulatory and/or other review of, filings for such product candidates;
- our expectations related to the use of proceeds from our financing activities and credit facility;
- our estimates regarding anticipated operating expenses and capital requirements and our needs for additional financing;
- our plans to pursue development of additional product candidates and technologies in ophthalmology, including development of our approved products or product candidates for additional indications, our preclinical retina programs and other therapeutic opportunities, and our plans to explore possible uses of our existing proprietary compounds beyond glaucoma and ophthalmology;

- the potential advantages of our approved products, product candidates and any future product candidates;
- our ability to protect our proprietary technology and enforce our intellectual property rights;
- our expectations regarding collaborations, licensing, acquisitions and strategic operations, including our ability to in-license or acquire additional ophthalmic products, product candidates or technologies; and
- our stated objective of building a major ophthalmic pharmaceutical company.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events, competitive dynamics, industry change and other factors beyond our control, and depend on regulatory approvals and economic and other environmental circumstances that may or may not occur in the future or may occur on longer or shorter timelines than anticipated. We discuss many of these risks under the heading “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as filed with the Securities and Exchange Commission (“SEC”) on March 1, 2018 and Part II, Item 1A of this Quarterly Report on Form 10-Q, and other documents we have filed or furnished with the SEC.

In particular, FDA approval of Rhopressa® does not constitute FDA approval of Rocklatan™ in the United States, and there can be no assurance that we will receive FDA approval for Rocklatan™ or any future product candidates. FDA approval of Rhopressa® also does not constitute regulatory approval of Rhopressa®, or Rhokiinsa® as it is named in Europe, in jurisdictions outside the United States, and there can be no assurance that Rhopressa® or Rhokiinsa® will obtain regulatory approval in other jurisdictions. Our receipt of a Prescription Drug User Fee Act (“PDUFA”) goal date notification for Rocklatan™ does not constitute FDA approval of the Rocklatan™ New Drug Application (“NDA”), and there can be no assurance that the FDA will complete its review by the PDUFA goal date of March 14, 2019, that the FDA will not require changes or additional data that must be made or received before it will approve the NDA, if ever, or that the FDA will approve the NDA. The European Medicines Agency ("EMA") acceptance of our Marketing Authorisation Application ("MAA") for Rhokiinsa® does not constitute EMA approval of Rhokiinsa® and does not provide assurance that the EMA will approve Rhokiinsa®. In addition, the preclinical research discussed in this report is preliminary and the outcome of such preclinical studies may not be predictive of the outcome of later clinical trials. Any future clinical trial results may not demonstrate safety and efficacy sufficient to obtain regulatory approval related to the preclinical research findings discussed in this report, and we may suspend or discontinue research programs at any time for any reason.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that we have a reasonable basis for each forward-looking statement contained in this report, 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 report. In addition, even if our results of operations, financial condition and liquidity, and events in the industry in which we operate, are consistent with the forward-looking statements contained in this report, they may not be predictive of results or developments in future periods.

Any forward-looking statements that we make in this report speak only as of the date of this report. Except as required by law, we are under no duty to update or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this report.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AERIE PHARMACEUTICALS, INC.

Condensed Consolidated Balance Sheets
(Unaudited)
(in thousands, except share and per share data)

	SEPTEMBER 30, 2018	DECEMBER 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$ 234,954	$ 197,569
Short-term investments	1,000	52,086
Accounts receivable, net	1,961	—
Inventory	5,612	—
Prepaid expenses and other current assets	3,290	4,487
Total current assets	246,817	254,142
Property, plant and equipment, net	58,360	31,932
Other assets	4,017	4,202
Total assets	$ 309,194	$ 290,276
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 7,066	$ 6,245
Accrued expenses and other current liabilities	27,948	18,939
Total current liabilities	35,014	25,184
Convertible notes, net	—	123,845
Other non-current liabilities	5,598	5,648
Total liabilities	40,612	154,677
Commitments and contingencies (Note 12)		
Stockholders' equity		
Preferred stock, $0.001 par value; 15,000,000 shares authorized as of September 30, 2018 and December 31, 2017; None issued and outstanding	—	—
Common stock, $0.001 par value; 150,000,000 shares authorized as of September 30, 2018 and December 31, 2017; 45,451,227 and 36,947,637 shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	45	37
Additional paid-in capital	913,499	597,318
Accumulated other comprehensive loss	(1)	(28)
Accumulated deficit	(644,961)	(461,728)
Total stockholders' equity	268,582	135,599
Total liabilities and stockholders' equity	$ 309,194	$ 290,276

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

AERIE PHARMACEUTICALS, INC.

Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
(in thousands, except share and per share data)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2018	2017	2018	2017
Product revenues, net	$ 7,302	$ —	$ 9,725	$ —
Total revenues, net	7,302	—	9,725	—
Costs and expenses:				
Cost of goods sold	205	—	264	—
Selling, general and administrative	39,933	19,774	107,647	51,402
Research and development	28,502	12,408	59,631	33,977
Total costs and expenses	68,640	32,182	167,542	85,379
Loss from operations	(61,338)	(32,182)	(157,817)	(85,379)
Other income (expense), net	(24,050)	(141)	(23,291)	(1,071)
Loss before income taxes	(85,388)	(32,323)	(181,108)	(86,450)
Income tax expense	—	49	3	142
Net loss	$ (85,388)	$ (32,372)	$ (181,111)	$ (86,592)
Net loss per common share—basic and diluted	$ (1.96)	$ (0.89)	$ (4.47)	$ (2.48)
Weighted average number of common shares outstanding—basic and diluted	43,657,423	36,210,329	40,505,534	34,932,551
Net loss	$ (85,388)	$ (32,372)	$ (181,111)	$ (86,592)
Unrealized gain (loss) on available-for-sale investments	8	(17)	27	(30)
Comprehensive loss	$ (85,380)	$ (32,389)	$ (181,084)	$ (86,622)

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

AERIE PHARMACEUTICALS, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2018	**2017**
Cash flows from operating activities		
Net loss	$ (181,111)	$ (86,592)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	1,730	916
Amortization of debt issuance costs and fees	779	230
Amortization and accretion of premium or discount on investments, net	54	52
Stock-based compensation	29,015	18,072
Induced conversion of convertible notes	24,059	—
Unrealized foreign exchange (gain) loss	(207)	522
Changes in operating assets and liabilities		
Accounts receivable, net	(1,961)	—
Inventory	(5,299)	—
Prepaid, current and other assets	955	1,718
Accounts payable, accrued expenses and other current liabilities	10,924	(1,981)
Net cash used in operating activities	(121,062)	(67,063)
Cash flows from investing activities		
Purchase of available-for-sale investments	(56,195)	(101,217)
Proceeds from sales and maturities of investments	107,297	48,696
Purchase of property, plant and equipment	(29,404)	(7,073)
Net cash provided by (used in) investing activities	21,698	(59,594)
Cash flows from financing activities		
Proceeds from sale of common stock, net	135,972	122,046
Proceeds related to issuance of stock for stock-based compensation arrangements, net	2,933	744
Payment of debt issuance costs	(1,621)	—
Other financing	(535)	—
Net cash provided by financing activities	136,749	122,790
Net change in cash and cash equivalents	37,385	(3,867)
Cash and cash equivalents, at beginning of period	197,569	197,945
Cash and cash equivalents, at end of period	$ 234,954	$ 194,078
Non-cash financing activities		
Conversion of convertible notes to common stock (Note 9)	$ 148,078	$ —

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

AERIE PHARMACEUTICALS, INC.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

1. The Company

Aerie Pharmaceuticals, Inc. ("Aerie"), with its wholly-owned subsidiaries, Aerie Distribution, Inc., Aerie Pharmaceuticals Limited and Aerie Pharmaceuticals Ireland Limited ("Aerie Distribution," "Aerie Limited" and "Aerie Ireland Limited," respectively, together with Aerie, the "Company"), is an ophthalmic pharmaceutical company focused on the discovery, development and commercialization of first-in-class therapies for the treatment of patients with open-angle glaucoma, retina diseases and other diseases of the eye. The Company has its principal executive offices in Durham, North Carolina, and operates as one business segment.

The Company has a U.S. Food and Drug Administration ("FDA") approved product, Rhopressa® (netarsudil ophthalmic solution) 0.02% ("Rhopressa®"), and an advanced-stage product candidate, Rocklatan™ (netarsudil/latanoprost ophthalmic solution) 0.02%/0.005% ("Rocklatan™"), previously referred to as Roclatan™, both designed to reduce elevated intraocular pressure ("IOP") in patients with open-angle glaucoma or ocular hypertension. The Company is commercializing Rhopressa® and intends to commercialize Rocklatan™, if approved, on its own in North American markets. The Company's strategy also includes pursuing regulatory approval for Rhopressa® (named Rhokiinsa® in Europe) and Rocklatan™ in Europe and Japan on its own, though the products may be named differently in those respective regions.

Rhopressa® is a once-daily eye drop designed to reduce elevated IOP in patients with open-angle glaucoma or ocular hypertension that received FDA approval on December 18, 2017. The Company launched Rhopressa® in the United States at the end of April 2018. On October 9, 2018, the Company announced that the European Medicines Agency ("EMA") accepted for review the marketing authorisation application ("MAA") for Rhopressa®, which will be marketed under the name Rhokiinsa® in Europe, if approved. Additionally, the Company completed a Phase 1 clinical trial and commenced a Phase 2 clinical trial in the United States, which were designed to support meeting the requirements of Japan's Pharmaceuticals and Medical Devices Agency for potential regulatory submission of Rhopressa® in Japan. These clinical trials have included Japanese and Japanese-American subjects. The Company is also planning to initiate an additional Phase 2 clinical trial on Japanese patients in Japan to support subsequent Phase 3 registration trials that are expected to be conducted in Japan.

The Company's advanced-stage product candidate, Rocklatan™, is a once-daily fixed-dose combination of Rhopressa® and latanoprost. The Company submitted a New Drug Application ("NDA") to the FDA in May 2018 under Section 505(b)(2) of the Federal Food, Drug and Cosmetic Act, which provides for an abbreviated approval pathway, since Rocklatan™ is a fixed dose combination of two FDA-approved drugs in the United States. In July 2018, the Company announced that the NDA was accepted for review by the FDA and the Prescription Drug User Fee Act goal date was set for March 14, 2019, which represents a ten-month review. In Europe, the Company is currently conducting a Phase 3 trial, named Mercury 3, comparing Rocklatan™ to Ganfort®, a fixed-dose combination product of bimatoprost (a prostaglandin analog) and timolol marketed in Europe, which if successful, is expected to improve its commercialization prospects in that region. Mercury 3 is not necessary for approval in the United States. The Company plans to submit an MAA for Rocklatan™ in Europe in the second half of 2019, if Rhokiinsa® is approved by the EMA.

On July 31, 2017, the Company entered into a collaborative research, development and licensing agreement with DSM, a global science-based company headquartered in the Netherlands. The research collaboration agreement includes an option to license DSM's bio-erodible polymer implant technology for sustained delivery of certain Aerie compounds to treat ophthalmic diseases. This technology uses polyesteramide polymers to produce an injectable, thin fiber that is minute in size. Preclinical experiments have demonstrated early success in conjunction with Aerie's preclinical molecule, AR-13503, including demonstration of linear, sustained elution rates over several months and achievement of target retinal drug concentrations.

On August 1, 2018, the Company entered into an Amended and Restated Collaborative Research, Development, and License Agreement with DSM (the "Collaboration Agreement"), which provides for (i) a worldwide exclusive license for all ophthalmic indications to DSM's polyesteramide polymer technology, (ii) continuation of the collaborative research initiatives through the end of 2020, including the transfer of DSM's formulation technology to Aerie during that time and (iii) access to a preclinical latanoprost implant. Aerie paid $6.0 million to DSM upon execution of the Collaboration Agreement, with an additional $9.0 million payable to DSM through the end of 2020. As a result, $7.4 million related to our expanded collaboration agreement with DSM was expensed to research and development expense for the three months ended September 30, 2018, which included the upfront payment of $6.0 million. The Collaboration Agreement also includes contingent payments that may

be due to DSM upon the achievement of certain development and regulatory milestones. Aerie would also pay royalties to DSM when products are commercialized under this Collaboration Agreement, if any.

On October 4, 2017, the Company entered into an Asset Purchase Agreement (the "Agreement") with Envisia Therapeutics Inc. ("Envisia") to acquire the rights to use PRINT® (Particle Replication in Non-wetting Templates) technology in ophthalmology, as well as rights relating to Envisia's preclinical dexamethasone steroid implant for the potential treatment of diabetic macular edema that utilizes the PRINT® technology, referred to as AR-1105. The PRINT® technology is a proprietary system capable of creating precisely-engineered sustained-release products utilizing fully-scalable manufacturing processes. The Company will also focus on using PRINT® to manufacture injectable implants containing AR-13503, potentially in conjunction with the bio-erodible polymer from DSM. The Company is also evaluating this technology platform for sustained release of therapies to the front of the eye, including to treat glaucoma or ocular hypertension, as examples. The Company commenced operation of its good manufacturing practices-validated manufacturing facility for production of ophthalmic implants using PRINT® technology in its Durham, North Carolina, facility in October 2018.

Prior to 2018, the Company had not generated any revenue. Aerie commenced generating product revenues related to sales of Rhopressa® in the second quarter of 2018 following its commercial launch of Rhopressa® in the United States in late April 2018. The Company's activities from inception until the commercial launch of Rhopressa® in the United States had primarily consisted of developing product candidates, raising capital and performing research and development activities. The Company has incurred losses and experienced negative operating cash flows since inception. The Company has funded its operations primarily through the sale of equity securities (see Note 10, "Stockholders' Equity") and issuance of convertible notes (see Note 9, "Debt").

On July 23, 2018, the Company's $125.0 million aggregate principal amount of senior secured convertible notes (the "2014 Convertible Notes") was converted into shares of Aerie common stock. Aerie issued 329,124 additional shares of common stock in order to induce the conversion for which $24.1 million was expensed to other expense on the condensed consolidated statement of operations and comprehensive loss during the three months ended September 30, 2018. In addition, the Company entered into a $100 million senior secured delayed draw term loan facility (the "credit facility") that matures on July 23, 2024. See Note 9, "Debt," for additional information.

If the Company does not successfully commercialize Rhopressa®, Rocklatan™ or any future product candidates, it may be unable to achieve profitability. Accordingly, the Company may be required to draw down on the credit facility it entered into in July 2018, or obtain further funding through public or private offerings, debt financings, collaboration and licensing arrangements or other sources. Adequate additional funding may not be available to the Company on acceptable terms, or at all. If the Company is unable to raise capital when needed or on attractive terms, it may be forced to delay, reduce or eliminate its research and development programs or commercialization and manufacturing efforts.

2. Significant Accounting Policies

Basis of Presentation

The Company's interim condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In the opinion of management, the Company has made all necessary adjustments, which include normal recurring adjustments necessary for a fair statement of the Company's consolidated financial position and results of operations for the interim periods presented. Certain information and disclosures normally included in the annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2017 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 1, 2018 ("2017 Form 10-K"). The results for the three and nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for a full year, any other interim periods or any future year or period.

Principles of Consolidation

The interim condensed consolidated financial statements include the accounts of Aerie and its wholly-owned subsidiaries. All intercompany accounts, transactions and profits have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting periods. Significant items subject to such estimates and assumptions include revenue recognition, the valuation of stock-based awards and operating expense accruals. Actual results could differ from the Company's estimates.

Revenue Recognition

Effective January 1, 2018, the Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC Topic 606"). The Company did not generate any revenue prior to the three months ended June 30, 2018, and therefore the adoption of ASC Topic 606 did not have an impact to the Company's financial statements for any prior periods or upon adoption. In accordance with ASC Topic 606, the Company recognizes revenue when the customer obtains control of a promised good or service, in an amount that reflects the consideration that the Company expects to receive in exchange for the good or service. The reported results for the three and nine months ended September 30, 2018 reflect the application of ASC Topic 606.

The Company's net product revenues are generated through sales of Rhopressa®, which was approved by the FDA in December 2017 and was commercially launched in the United States on April 30, 2018. See Note 3, "Revenue Recognition," for more information.

Concentration of Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, cash equivalents and investments. The Company's cash and cash equivalents, which include short-term highly liquid investments with original maturities of three months or less, are held at several financial institutions and at times may exceed insured limits. The Company has placed these funds in high quality institutions to minimize risk relating to exceeding insured limits. The Company's investment policy permits investments in U.S. federal government and federal agency securities, corporate bonds or commercial paper, money market instruments, and certain qualifying money market mutual funds, and places restrictions on credit ratings, maturities, and concentration by type and issuer. The Company is exposed to credit risk in the event of a default by the financial institutions holding its cash, cash equivalents and investments to the extent recorded on the condensed consolidated balance sheet.

The Company depends on single source suppliers for the active pharmaceutical ingredient ("API") in Rhopressa® and the manufacture of finished product. The Company is in the process of adding additional contract manufacturers, which are expected to produce API and finished product commercial supply beginning in the first half of 2019. In addition, the Company is building a new manufacturing plant in Athlone, Ireland, which is expected to produce commercial supplies of Rhopressa® and, if approved, Rocklatan™ and Rhokiinsa®. Commercial supply from the Ireland manufacturing plant is expected to be available in 2020.

Inventories

Prior to the date the Company obtains regulatory approval for its product candidates, manufacturing costs related to commercial production for such product candidates are expensed as selling, general and administrative expense. Once regulatory approval is obtained, the Company capitalizes such costs as inventory. Inventories are stated at the lower of cost or estimated realizable value. The Company determines the cost of inventory using the first-in, first-out ("FIFO") method.

Property, Plant and Equipment, Net

Property, plant and equipment is recorded at historical cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Construction-in-progress reflects amounts incurred for property, plant or equipment construction or improvements that have not been yet placed in service, which primarily relates to the build-out of the Company's manufacturing plant in Ireland (see Note 7, "Property, Plant and Equipment, Net"). Repairs and maintenance are expensed when incurred. Upon retirement or sale, the cost of the assets disposed of and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the determination of net loss.

Estimated useful lives by major asset category are as follows:

Manufacturing equipment	10 years
Laboratory equipment	7 years
Furniture and fixtures	5 years
Software and computer equipment	3 years
Leasehold improvements	Lower of estimated useful life or term of lease

Investments

The Company determines the appropriate classification of its investments in debt and equity securities at the time of purchase. The Company's investments are comprised of commercial paper and corporate bonds that are classified as available-for-sale in accordance with ASC Topic 320, *Investments—Debt and Equity Securities*. The Company classifies investments available to fund current operations as current assets on its consolidated balance sheets. Investments are classified as long-term assets on the consolidated balance sheets if (i) the Company has the intent and ability to hold the investments for a period of at least one year and (ii) the contractual maturity date of the investments is greater than one year.

Available-for-sale investments in debt securities are recorded at fair value, with unrealized gains or losses included as other comprehensive loss on the condensed consolidated statements of comprehensive loss and as accumulated other comprehensive loss on the condensed consolidated balance sheets. Realized gains and losses, interest income earned on the Company's cash, cash equivalents and investments, and amortization or accretion of discounts and premiums on investments are included within other income (expense), net. Interest income was $0.8 million and $2.5 million for the three and nine months ended September 30, 2018, respectively, and $0.6 million and $1.3 million for the three and nine months ended September 30, 2017, respectively. Realized losses of $0.2 million were reclassified out of accumulated other comprehensive loss and recognized within other income (expense), net during the nine months ended September 30, 2018. There were no realized gains or losses recognized during the three months ended September 30, 2018 or during the three or nine months ended September 30, 2017.

Fair Value Measurements

The Company records certain financial assets and liabilities at fair value in accordance with the provisions of ASC Topic 820, *Fair Value Measurements and Disclosures*. As defined in the guidance, fair value, defined as an exit price, represents the amount that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants. As a result, fair value is a market-based approach that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering these assumptions, the guidance defines a three-tier value hierarchy that prioritizes the inputs used in the valuation methodologies in measuring fair value.

- Level 1—Unadjusted quoted prices in active, accessible markets for identical assets or liabilities.
- Level 2—Other inputs that are directly or indirectly observable in the marketplace.
- Level 3—Unobservable inputs that are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

There were no transfers between the different levels of the fair value hierarchy during the three or nine months ended September 30, 2018.

Stock-Based Compensation

The estimated fair value of options to purchase common stock is determined on the date of grant using the Black-Scholes option pricing model. Options granted to non-employees are revalued at each financial reporting period until the required service is performed. The fair value of restricted stock awards ("RSAs") granted is based on the market value of Aerie's common stock on the date of grant. Compensation expense related to time-based RSAs is expensed on a straight-line basis over the vesting period. For RSAs with non-market performance conditions, the Company evaluates the criteria for each grant to determine the probability that the performance condition will be achieved. Compensation expense for RSAs with non-market performance conditions is recognized over the respective service period when it is deemed probable that the performance condition will be satisfied. Upon issuance and at each reporting period, the fair value of each stock appreciation rights

("SARs") award is estimated using the Black-Scholes option pricing model and is marked to market through stock-based compensation expense. SARs are liability-based awards as they may only be settled in cash.

Adoption of New Accounting Standards

In August 2018, the FASB issued Accounting Standards Update ("ASU") 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract,* which amends ASC 350-40, *Internal-Use Software,* to include in its scope implementation costs of a cloud computing arrangement that is a service contract. Consequently, the accounting for costs incurred to implement a cloud computing arrangement that is a service arrangement, is aligned with the guidance on capitalizing costs associated with developing or obtaining internal-use software. This ASU is effective for the Company beginning January 1, 2019 and early adoption is permitted. The Company elected to early adopt this standard during the third quarter of 2018, which did not have a material impact on its consolidated financial statements and disclosures.

In March 2018, the FASB issued ASU 2018-05, *Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118* ("SAB 118") ("ASU 2018-05"), which adds guidance to clarify the treatment of income taxes based on changes enacted on December 22, 2017 in H.R. 1 (commonly referred to as the "Tax Act"). ASU 2018-05 incorporates references in ASC Topic 740 to SAB 118, which was issued on December 22, 2017, to address the application of U.S. GAAP in situations when a registrant may not have the necessary information available in reasonable detail to complete the accounting for certain income tax effects. The guidance became effective immediately upon the enactment of the Tax Act in accordance with U.S. GAAP which requires deferred tax assets and liabilities to be revalued during the period in which new tax legislation is enacted. The Company's final impact assessment on the consolidated financial statements will be completed as additional information becomes available, but no later than one year from the enactment of the Tax Act.

In May 2017, the FASB issued ASU 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting* ("ASU 2017-09"), which clarifies when changes to the terms or conditions of share-based payment awards must be accounted for as modifications. Under ASU 2017-09, an entity will not apply modification accounting to a share-based payment award if the award's fair value, vesting conditions and classification as an equity or liability instrument are the same immediately before and after the change. ASU 2017-09 will be applied prospectively to awards modified on or after the adoption date. The guidance became effective for the Company beginning on January 1, 2018. The impact of the adoption of this guidance on its consolidated financial statements would be dependent on future modifications to share-based payment awards, if any.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, which eliminates the exception to the principle in ASC Topic 740, *Income Taxes*, that generally requires comprehensive recognition of current and deferred income taxes for all intra-entity sales of assets other than inventory. As a result, a reporting entity would recognize the tax expense from the sale of the asset in the seller's tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. This ASU became effective for the Company on January 1, 2018 and was required to be applied on a modified retrospective basis through a cumulative-effect adjustment directly to accumulated deficit as of the beginning of the period of adoption. At December 31, 2017, the Company had $2.1 million of income tax effects deferred from past intercompany transactions that were recorded as prepaid assets within other assets, net, at December 31, 2017 that were adjusted through accumulated deficit as of January 1, 2018.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), which provides guidance related to the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. The guidance became effective for the Company beginning on January 1, 2018 and prescribes different transition methods for the various provisions. The adoption of ASU 2016-01 did not have a material impact on its consolidated financial statements and disclosures.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). The standard states that an entity should recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB subsequently issued amendments to ASU 2014-09 that had the same effective date of January 1, 2018. Revenue from sales of Rhopressa®, as well as any other future revenue arrangements, are and will be recognized under the provisions of ASC Topic 606.

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820-10): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"), which changes the fair value measurement disclosure requirements of ASC 820. Under this ASU, certain disclosure requirements for fair value measurements are eliminated, amended, or added. These changes aim to improve the overall usefulness of disclosures to financial statement users and reduce unnecessary costs to companies when preparing the disclosures. The guidance is effective for the Company beginning on January 1, 2019 and prescribes different transition methods for the various provisions. The Company does not expect the adoption of ASU 2018-13 to have a material impact on its consolidated financial statements and disclosures.

In June 2018, the FASB issued ASU 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* ("ASU 2018-07"), which expands the scope of ASC Topic 718, *Compensation—Stock Compensation* to include share-based payments issued to nonemployees for goods or services. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned. This ASU is effective for the Company beginning January 1, 2019, including interim periods within that fiscal year, but early adoption is permitted. The Company does not expect the adoption of ASU 2018-07 to have a material impact on its consolidated financial statements and disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which requires that financial assets measured at amortized cost be presented at the net amount expected to be collected. Currently, U.S. GAAP delays recognition of the full amount of credit losses until the loss is probable of occurring. Under this ASU, the income statement will reflect an entity's current estimate of all expected credit losses. The measurement of expected credit losses will be based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses rather than as a direct write-down of the security. This ASU is effective for the Company beginning on January 1, 2020, with early adoption permitted beginning on January 1, 2019. The new guidance prescribes different transition methods for the various provisions. The Company does not expect the adoption of ASU 2016-13 to have a material impact on its consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which requires lessees to recognize a right of use asset and related lease liability for those leases classified as operating leases at the commencement date and for those leases that have lease terms of more than 12 months. In July 2018, the FASB issued both ASU 2018-10, *Codification Improvements to Topic 842, Leases* ("ASU 2018-10") and ASU 2018-11, *Leases (Topic 842)—Targeted Improvements* ("ASU 2018-11"), which provides additional guidance or clarifications affecting certain aspects of ASU 2016-02 and certain practical expedients. Further, the updated guidance allows an additional transition method to apply the new leases standard at the adoption date, as compared to the beginning of the earliest period presented, and recognize a cumulative-effect adjustment to the beginning balance of retained earnings in the period of adoption. ASU 2016-02, ASU 2018-10 and ASU 2018-11 are effective for the Company beginning on January 1, 2019, and all annual and interim periods thereafter, with early adoption permitted. The Company expects to elect the transition method described in ASU 2018-11 at the adoption date of January 1, 2019 and recognize a cumulative-effect adjustment to accumulated deficit as of January 1, 2019. The Company is currently evaluating the impact of ASU 2016-02, ASU 2018-10 and ASU 2018-11 on its consolidated financial statements and disclosures, but expects to recognize a right of use asset and corresponding liability related to its operating leases.

Net Loss per Common Share

Basic net loss per common share ("Basic EPS") is calculated by dividing the net loss by the weighted average number of shares of common stock outstanding for the period, without consideration for potentially dilutive securities with the exception of warrants for common stock with a $0.05 exercise price, which are exercisable for nominal consideration and are therefore included in the calculation of the weighted average number of shares of common stock as common stock equivalents. Diluted net loss per share ("Diluted EPS") gives effect to all dilutive potential shares of common stock outstanding during this period. For Diluted EPS, net loss used in calculating Basic EPS is adjusted for certain items related to the dilutive securities.

For all periods presented, Aerie's potential common stock equivalents have been excluded from the computation of Diluted EPS as their inclusion would have had an anti-dilutive effect.

The potential common stock equivalents that have been excluded from the computation of Diluted EPS consist of the following:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2018	2017	2018	2017
2014 Convertible Notes	—	5,040,323	—	5,040,323
Outstanding stock options	6,951,639	6,237,959	6,951,639	6,237,959
Stock purchase warrants	154,500	157,500	154,500	157,500
Nonvested restricted stock awards	584,124	439,549	584,124	439,549
Total	7,690,263	11,875,331	7,690,263	11,875,331

In July 2018, the entire outstanding principal amount of the 2014 Convertible Notes was converted into shares of Aerie common stock. See Note 9, "Debt," for additional information.

3. Revenue Recognition

In accordance with ASC Topic 606, the Company recognizes revenues when its customers obtain control of its product in an amount that reflects the consideration it expects to receive from its customers in exchange for that product. To determine revenue recognition for contracts that are determined to be in scope of ASC Topic 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies the performance obligation. The Company only applies the five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. Once the contract is determined to be within the scope of ASC Topic 606, the Company assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when such performance obligation is satisfied. Shipping and handling costs related to the Company's product sales are included in selling, general and administrative expenses.

Net product revenues for the three and nine months ended September 30, 2018 were derived from sales of Rhopressa® in the United States to customers, which include a limited number of national and select regional wholesalers (the "Distributors"). These Distributors subsequently resell the product, primarily to retail pharmacies that dispense the product to patients. The Company expenses incremental costs of obtaining a contract as and when incurred if the expected amortization period of the asset that would have been recognized is one year or less or the amount is immaterial. The product that is ultimately used by patients is generally covered by third-party payers, such as government or private healthcare insurers and pharmacy benefit managers ("Third-party Payers") and may be subject to rebates and discounts payable directly to those Third-party Payers. The Company has already obtained formulary coverage for approximately 85% of lives covered under commercial plans and approximately 40% of lives covered under Medicare Part D plans and is in the process of increasing those levels of coverage. In the glaucoma market in the United States, approximately half of the volumes are covered under commercial plans and half under Medicare Part D. Medicare Part D coverage would normally commence for Rhopressa®, as with other new products, on or about January 1, 2019. However, there have been early acceptances of Rhopressa® onto certain Medicare Part D plans, commencing as early as June 1, 2018.

Product revenue is recorded net of trade discounts, allowances, rebates, chargebacks, estimated returns and other incentives, discussed below. These reserves are classified as either reductions of accounts receivable or as current liabilities. Amounts billed or invoiced are included in accounts receivable, net on the condensed consolidated balance sheet. The Company did not have any contract assets (unbilled receivables) at September 30, 2018, as customer invoicing generally occurs before or at the time of revenue recognition. The Company did not have any contract liabilities at September 30, 2018, as the Company did not receive payments in advance of fulfilling its performance obligations to its customers.

Net product revenue is typically recognized when Distributors obtain control of the Company's product, which occurs at a point in time, typically upon delivery of Rhopressa® to the Distributors. For both the three and nine months ended September 30, 2018, three Distributors accounted for 34%, 32% and 31% of total revenues, respectively. The Company evaluates the creditworthiness of each of its Distributors to determine whether it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur. We do not assess whether a contract has a significant financing component if the

expectation is such that the period between the transfer of the promised goods to the customer and the receipt of payment will be less than one year. Standard credit terms do not exceed 75 days.

The Company calculates its net product revenue based on the wholesale acquisition cost that the Company charges its Distributors for Rhopressa® less variable consideration. Variable consideration consists of estimates relating to (i) trade discounts and allowances, such as discounts for prompt payment and Distributor fees, (ii) estimated rebates to Third-party Payers, estimated payments for Medicare Part D prescription drug program coverage gap (commonly called the "donut hole"), patient co-pay program coupon utilization, chargebacks and other discount programs and (iii) reserves for expected product returns. The estimates of reserves established for variable consideration reflect current contractual and statutory requirements, known market events and trends, industry data and forecasted customer mix. The transaction price, which includes variable consideration reflecting the impact of discounts and allowances, may be subject to constraint and is included in the net product revenues only to the extent that it is probable that a significant reversal of the amount of the cumulative revenues recognized will not occur in a future period. Actual amounts may ultimately differ from these estimates. If actual results vary, estimates may be adjusted in the period such change in estimate becomes known, which could have an impact on earnings in the period of adjustment.

Trade Discounts and Allowances: The Company generally provides discounts on sales of Rhopressa® to its Distributors for prompt payment and pays fees for distribution services and for certain data that Distributors provide to the Company. The Company expects its Distributors to earn these discounts and fees, and accordingly deducts the full amount of these discounts and fees from its gross product revenues at the time such revenues are recognized.

Rebates, Chargebacks and Other Discounts: The Company contracts with Third-party Payers for coverage and reimbursement of Rhopressa®. The Company estimates the rebates and chargebacks it expects to be obligated to provide to Third-party Payers and deducts these estimated amounts from its gross product revenue at the time the revenue is recognized. The Company estimates the rebates and chargebacks that it expects to be obligated to provide to Third-party Payers based upon (i) the Company's contracts and negotiations with these Third-party Payers, (ii) estimates regarding the payer mix for Rhopressa® and (iii) historical industry information regarding the payer mix for comparable pharmaceutical products and product portfolios. Other discounts include the Company's co-pay assistance coupon programs for commercially-insured patients meeting certain eligibility requirements. The calculation of the accrual for co-pay assistance is based on an estimate of claims and the cost per claim that the Company expects to pay associated with product that has been recognized as revenue.

Product Returns: The Company estimates the amount of Rhopressa® that will be returned and deducts these estimated amounts from its gross revenue at the time the revenue is recognized. The Company currently estimates product returns based on historical industry information regarding rates for comparable pharmaceutical products and product portfolios, the estimated remaining shelf life of Rhopressa® shipped to Distributors, and contractual agreements with the Company's Distributors intended to limit the amount of inventory they maintain. Reporting from the Distributors includes Distributor sales and inventory held by Distributors, which provides the Company with visibility into the distribution channel to determine when product would be eligible to be returned.

4. Investments

Cash, cash equivalents and investments as of September 30, 2018 included the following:

(in thousands)	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
Cash and cash equivalents:				
Cash and money market funds	$ 234,954	$ —	$ —	$ 234,954
Total cash and cash equivalents	$ 234,954	$ —	$ —	$ 234,954
Investments:				
Corporate bonds (due within 1 year)	1,001	—	(1)	1,000
Total investments	$ 1,001	$ —	$ (1)	$ 1,000
Total cash, cash equivalents and investments	$ 235,955	$ —	$ (1)	$ 235,954

Cash, cash equivalents and investments as of December 31, 2017 included the following:

(in thousands)	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
Cash and cash equivalents:				
Cash and money market funds	$ 197,569	$ —	$ —	$ 197,569
Total cash and cash equivalents	$ 197,569	$ —	$ —	$ 197,569
Investments:				
Commercial paper (due within 1 year)	$ 30,883	$ —	$ —	$ 30,883
Corporate bonds (due within 1 year)	21,231	—	(28)	21,203
Total investments	$ 52,114	$ —	$ (28)	$ 52,086
Total cash, cash equivalents and investments	$ 249,683	$ —	$ (28)	$ 249,655

5. Fair Value Measurements

The following tables summarize the fair value of financial assets and liabilities that are measured at fair value and the classification by level of input within the fair value hierarchy:

	FAIR VALUE MEASUREMENTS AS OF SEPTEMBER 30, 2018			
(in thousands)	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Cash and money market funds	$ 234,954	$ —	$ —	$ 234,954
Total cash and cash equivalents	$ 234,954	$ —	$ —	$ 234,954
Investments:				
Corporate bonds	$ —	$ 1,000	$ —	$ 1,000
Total investments	$ —	$ 1,000	$ —	$ 1,000
Total cash, cash equivalents and investments	$ 234,954	$ 1,000	$ —	$ 235,954

	FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2017			
(in thousands)	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Cash and money market funds	$ 197,569	$ —	$ —	$ 197,569
Total cash and cash equivalents	$ 197,569	$ —	$ —	$ 197,569
Investments:				
Commercial paper	$ —	$ 30,883	$ —	$ 30,883
Corporate bonds	—	21,203	—	21,203
Total investments	$ —	$ 52,086	$ —	$ 52,086
Total cash, cash equivalents and investments	$ 197,569	$ 52,086	$ —	$ 249,655

Convertible Notes

As of December 31, 2017, the estimated fair value of the $125.0 million aggregate principal amount of the 2014 Convertible Notes was $327.6 million. The estimated fair value of the 2014 Convertible Notes required the use of Level 3 unobservable inputs and subjective assumptions.

In July 2018, the entire outstanding principal amount of the 2014 Convertible Notes was converted into shares of Aerie common stock. See Note 9, "Debt," for additional information.

6. Inventory

Inventory consists of the following:

(in thousands)	SEPTEMBER 30, 2018
Raw materials	$ 559
Work-in-process	2,478
Finished goods	2,575
Total inventory	$ 5,612

The Company commenced capitalizing inventory for Rhopressa® upon FDA approval of Rhopressa® on December 18, 2017. No inventory was produced from the FDA approval date through the end of 2017; therefore, no inventory was capitalized on the consolidated balance sheet as of December 31, 2017.

7. Property, Plant and Equipment, Net

Property, plant and equipment, net consists of the following:

(in thousands)	SEPTEMBER 30, 2018	DECEMBER 31, 2017
Manufacturing equipment	$ 2,307	$ 2,082
Laboratory equipment	4,915	3,602
Furniture and fixtures	1,536	1,209
Software and computer equipment	2,321	1,932
Leasehold improvements	3,685	1,887
Construction-in-progress	48,416	24,228
	63,180	34,940
Less: Accumulated depreciation	(4,820)	(3,008)
Total property, plant and equipment, net	$ 58,360	$ 31,932

Manufacturing Plant Build-Out

In January 2017, the Company entered into a Euro-denominated lease agreement, expiring in September 2037, for a new manufacturing plant in Athlone, Ireland, under which the Company is leasing approximately 30,000 square feet of interior floor space for build-out. The Company is permitted to terminate the lease beginning in September 2027.

The Company is not the legal owner of the leased space. However, in accordance with ASC Topic 840, *Leases*, the Company is deemed to be the owner of the leased space, including the building shell, during the construction period because of the Company's expected level of direct financial and operational involvement in the substantial tenant improvements required. As a result, the Company capitalized approximately $4.2 million as a build-to-suit asset within property, plant and equipment, net and recognized a corresponding build-to-suit facility lease obligation as a liability on its condensed consolidated balance sheets equal to the estimated replacement cost of the building at the inception of the lease. Additionally, equipment and construction costs incurred as part of the build-out are also capitalized within property, plant and equipment, net, as construction-in-progress. Capital expenditures related to the manufacturing plant totaled approximately $24.2 million during the nine months ended September 30, 2018.

Rental payments made under the lease will be allocated to 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 approximately $4.6 million as of September 30, 2018, of which $0.3 million was classified as other current liabilities. The build-to-suit facility

lease obligation was approximately $4.9 million as of December 31, 2017. The lease obligation is denominated in Euros and is remeasured to U.S. dollars at the balance sheet date with any foreign exchange gain or loss recognized within other income (expense), net on the condensed consolidated statements of operations and comprehensive loss. Unrealized foreign currency gain related to the remeasurement of the lease obligation was zero and $0.2 million for the three and nine months ended September 30, 2018, respectively. The Company had unrealized foreign currency losses related to the remeasurement of the lease obligation of $0.2 million and $0.5 million for the three and nine months ended September 30, 2017, respectively.

8. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

(in thousands)	SEPTEMBER 30, 2018	DECEMBER 31, 2017
Accrued compensation and benefits	$ 9,465	$ 7,886
Accrued consulting and professional fees	3,955	3,841
Accrued research and development expenses (1)	4,297	1,855
Accrued revenue reserves	4,819	—
Accrued other (2)	5,412	5,357
Total accrued expenses and other current liabilities	$ 27,948	$ 18,939

(1) Comprised of accruals related to fees for investigative sites, contract research organizations, contract manufacturing organizations and other service providers that assist in conducting preclinical research studies and clinical trials.

(2) Comprised of accruals related to commercial manufacturing activities prior to FDA approval of Rhopressa® and Rocklatan™ as well as other business-related expenses.

9. Debt

2014 Convertible Notes

In September 2014, Aerie issued $125.0 million aggregate principal amount of the 2014 Convertible Notes to Deerfield Partners, L.P., Deerfield International Master Fund, L.P., Deerfield Private Design Fund III, L.P., Deerfield Special Situations Fund, L.P. and Deerfield Special Situations International Master Fund, L.P. (collectively with their transferees, "Deerfield"). The 2014 Convertible Notes were issued pursuant to a note purchase agreement (as amended and supplemented from time to time, the "Note Purchase Agreement"), dated as of September 8, 2014, among Aerie and the Deerfield entities party thereto.

The 2014 Convertible Notes were scheduled to mature on the seventh anniversary from the date of issuance, unless earlier converted. The 2014 Convertible Notes were convertible at any time at the option of Deerfield, in whole or in part, into shares of common stock. In July 2018, Deerfield converted the entire outstanding principal amount of the 2014 Convertible Notes into shares of Aerie common stock.

The 2014 Convertible Notes bore interest at a rate of 1.75% per annum payable quarterly in arrears on the first business day of each January, April, July and October. The Company recorded the 2014 Convertible Notes as long-term debt at face value less $2.1 million in debt discount and issuance costs incurred at the time of the transaction, which were being amortized to interest expense using the effective interest method through the conversion of the 2014 Convertible Notes.

The table below summarizes the carrying value of the 2014 Convertible Notes as of December 31, 2017:

(in thousands)	DECEMBER 31, 2017
Gross proceeds	$ 125,000
Unamortized debt discount and issuance costs	(1,155)
Carrying value	$ 123,845

Conversion of 2014 Convertible Notes

On July 23, 2018, Aerie entered into an Exchange and Termination Agreement (the "Exchange and Termination Agreement") with Deerfield Private Design Fund III, L.P., Deerfield Partners, L.P. and Deerfield Special Situations Fund, L.P. (collectively, the "Holders"). Pursuant to the Exchange and Termination Agreement, (i) the Holders converted the entire outstanding principal amount of the 2014 Convertible Notes into 5,040,323 shares of common stock (the "Conversion Shares") in accordance with the terms of the 2014 Convertible Notes, which was recognized in stockholders' equity, (ii) Aerie issued the Conversion Shares, and (iii) Aerie paid accrued and unpaid interest on the Convertible Notes through July 23, 2018.

In addition, as mutually agreed to with the Holders in order to complete the conversion on the date of the Exchange and Termination Agreement, Aerie issued an additional 329,124 shares of common stock (the "Additional Shares") to the Holders. Aerie expensed the value of the Additional Shares in the amount of $24.1 million to other expense during the three months ended September 30, 2018.

Entry into Credit Facility

On July 23, 2018, Aerie entered into a credit agreement (as amended on August 7, 2018) with certain entities affiliated with Deerfield Management Company L.P. providing for a $100 million credit facility. The credit facility includes fees upon drawdown of 1.75% of amounts drawn, an 8.625% annual interest rate on drawn amounts, and annual fees on undrawn amounts of 1.5%. There is also an exit fee of $1.5 million payable upon termination of the credit facility (whether at maturity or otherwise). The allowable draw period ends two years from the effective date of the credit facility. Fees on undrawn amounts are not payable until July 23, 2020, and no principal payments will be due on drawn amounts, if any, until July 23, 2020. The credit facility matures on July 23, 2024 in respect of any drawn amounts. The credit facility includes affirmative and negative covenants and prepayment terms. No funds were drawn at closing or as of September 30, 2018.

Interest expense was $0.8 million and $1.7 million for the three and nine months ended September 30, 2018, respectively, and included amortization of debt discount and issuance costs related to the 2014 Convertible Notes through the date of conversion as well as issuance costs and fees related to the credit facility. Interest expense, was $0.6 million and $1.8 million for the three and nine months ended September 30, 2017, respectively, which included amortization of debt discount and issuance costs related to the 2014 Convertible Notes.

10. Stockholders' Equity

During the nine months ended September 30, 2018, Aerie issued and sold approximately 1.0 million shares of Aerie's common stock and received net proceeds of approximately $62.3 million, after deducting $0.5 million of fees and expenses, under the "at-the-market" sales agreement that commenced in December 2017. There are no remaining shares available for issuance under the ATM that commenced in December 2017. In addition, the Company entered into an underwriting agreement, dated January 23, 2018, related to the registered public offering of approximately 1.3 million shares of Aerie's common stock and received net proceeds of approximately $74.1 million, after deducting $0.9 million of underwriting discounts, fees and expenses. The transactions were made pursuant to an automatic shelf registration on Form S-3, filed with the SEC on September 15, 2016, that permits the offering, issuance and sale of an unlimited number of shares of common stock from time to time by Aerie.

Warrants

As of September 30, 2018, the following equity-classified warrants to purchase common stock were outstanding:

NUMBER OF UNDERLYING SHARES	EXERCISE PRICE PER SHARE	WARRANT EXPIRATION DATE
75,000	$5.00	February 2019
75,000	$5.00	November 2019
4,500	$5.00	August 2020
223,482	$0.05	December 2019

The warrants outstanding as of September 30, 2018 are all currently exercisable.

11. Stock-Based Compensation

Stock-based compensation expense for options granted, RSAs, performance stock awards ("PSAs"), SARs and stock purchase rights is reflected in the condensed consolidated statements of operations and comprehensive loss as follows:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
(in thousands)	**2018**	**2017**	**2018**	**2017**
Selling, general and administrative	$ 7,382	$ 4,995	$ 21,826	$ 14,032
Research and development	2,596	1,562	7,189	4,040
Total	$ 9,978	$ 6,557	$ 29,015	$ 18,072

Equity Plans

The Company maintains three equity compensation plans, the 2005 Aerie Pharmaceutical Stock Plan (the "2005 Plan"), the 2013 Omnibus Incentive Plan (the "2013 Equity Plan"), which was amended and restated as the Aerie Pharmaceuticals, Inc. Second Amended and Restated Omnibus Incentive Plan (the "Second Amended and Restated Equity Plan"), as described below, and the Aerie Pharmaceuticals, Inc. Inducement Award Plan (the "Inducement Award Plan"), as described below. The 2005 Plan, the Second Amended and Restated Equity Plan and the Inducement Award Plan are referred to collectively as the "Plans."

On October 30, 2013, the effective date of the 2013 Equity Plan, the 2005 Plan was frozen and no additional awards have been or will be made under the 2005 Plan. Any remaining shares available for future grant under the 2005 Plan were allocated to the 2013 Equity Plan.

On April 10, 2015, Aerie's stockholders approved the adoption of the Aerie Pharmaceuticals, Inc. Amended and Restated Omnibus Incentive Plan ("Amended and Restated Equity Plan") and no additional awards have been or will be made under the 2013 Equity Plan. Any remaining shares available under the 2013 Equity Plan were allocated to the Amended and Restated Equity Plan. On June 7, 2018, Aerie's stockholders approved the adoption of the Second Amended and Restated Equity Plan to increase the number of shares issuable under the Plan by 4,500,000. The Second Amended and Restated Equity Plan provides for the granting of up to 10,229,068 equity awards in respect of Aerie common stock, including equity awards that were previously available for issuance under the 2013 Equity Plan.

On December 7, 2016, Aerie's Board of Directors approved the Inducement Award Plan which provides for the granting of up to 418,000 equity awards in respect of common stock of Aerie and was subsequently amended during the year ended December 31, 2017 to increase the equity awards that may be issued by an additional 874,500 shares. Awards granted under the Inducement Award Plan are intended to qualify as employment inducement awards under NASDAQ Listing Rule 5635(c)(4).

Options to Purchase Common Stock

The following table summarizes the stock option activity under the Plans:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	AGGREGATE INTRINSIC VALUE (000's)
Options outstanding at December 31, 2017	6,457,343	$ 22.15		
Granted	1,207,984	56.81		
Exercised	(600,690)	8.74		
Canceled	(112,998)	46.01		
Options outstanding at September 30, 2018	6,951,639	$ 28.92	7.0	$ 227,793
Options exercisable at September 30, 2018	4,440,403	$ 18.39	5.9	$ 191,690

As of September 30, 2018, the Company had $78.4 million of unrecognized compensation expense related to options granted under its equity plans. This expense is expected to be recognized over a weighted average period of 2.9 years as of September 30, 2018.

Restricted Stock Awards

The following table summarizes the RSAs, including PSAs, activity under the Plans:

	NUMBER OF SHARES	WEIGHTED AVERAGE FAIR VALUE PER SHARE
Nonvested RSAs at December 31, 2017	447,049	$ 41.08
Granted	264,999	56.00
Vested	(122,461)	38.47
Canceled	(5,463)	48.41
Nonvested RSAs at September 30, 2018	584,124	$ 48.32

As of September 30, 2018, the Company had $20.0 million of unrecognized compensation expense related to unvested RSAs, including PSAs. This expense is expected to be recognized over the weighted average period of 2.9 years as of September 30, 2018.

The vesting of the RSAs is time and service based with terms of one to four years. During the year ended December 31, 2017, the Company granted 98,817 PSAs with non-market performance conditions that vest upon the satisfaction of certain performance conditions and service conditions. During the nine months ended September 30, 2018, there were 19,764 PSAs that vested.

Stock Appreciation Rights

During the nine months ended September 30, 2018, the Company granted 104,000 SARs awards at a weighted average exercise price of $54.20. As of September 30, 2018, 96,000 SARs awards were outstanding and had a weighted average remaining contractual life of 4.5 years.

Holders of the SARs are entitled under the terms of the Plans to receive cash payments calculated based on the excess of the Company's common stock price over the target price in their award; consequently, these awards are accounted for as liability-classified awards and the Company measures compensation cost based on their estimated fair value at each reporting date, net of actual forfeitures, if any.

12. Commitments and Contingencies

The Company may periodically become subject to legal proceedings and claims arising in connection with its business. Except as previously disclosed for matters which have now concluded, the Company is not a party to any known litigation, is not aware of any unasserted claims and does not have contingency reserves established for any litigation liabilities.

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

The following management's discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and related notes that appear elsewhere in this report and with our audited financial statements and related notes and management's discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as filed with the SEC on March 1, 2018 ("2017 Form 10-K"). This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Please see "Special Note Regarding Forward-Looking Statements" for additional factors relating to such statements, and see "Risk Factors" in our 2017 Form 10-K and other documents we have filed or furnished with the SEC for a discussion of certain risk factors applicable to our business, financial condition and results of operations. Past operating results are not necessarily indicative of operating results in any future periods.

Overview

We are an ophthalmic pharmaceutical company focused on the discovery, development and commercialization of first-in-class therapies for the treatment of patients with open-angle glaucoma, retina diseases and other diseases of the eye. Our strategy is to commercialize our U.S. Food and Drug Administration ("FDA") approved product, Rhopressa® (netarsudil ophthalmic solution) 0.02% ("Rhopressa®"), in North American markets and advance our product candidate, Rocklatan™ (netarsudil/latanoprost ophthalmic solution) 0.02%/0.005% ("Rocklatan™"), previously referred to as Roclatan™, to regulatory approval. We launched Rhopressa® in the United States at the end of April 2018. Rhopressa® is now being sold to national and regional U.S. pharmaceutical distributors, and patients have access to Rhopressa® through pharmacies across the United States. We have obtained formulary coverage for Rhopressa® for approximately 85% of lives covered under commercial plans and approximately 40% of lives covered under Medicare Part D plans as of October 1, 2018 and we expect broader coverage, particularly in Medicare Part D plans, by early 2019. In the glaucoma market in the United States, approximately half of the volumes are covered under commercial plans and half under Medicare Part D. We hired a commercial team that includes approximately 100 sales representatives to target approximately 14,000 high-prescribing eye care professionals throughout the United States. This sales force is responsible for sales of Rhopressa®, and will also be responsible for sales of Rocklatan™, if approved.

We also seek to enhance our longer-term commercial potential by identifying and advancing additional product candidates. This may be accomplished through our internal discovery efforts, our entry into potential research collaborations or in-licensing arrangements or our acquisition of additional ophthalmic products or technologies or product candidates that complement our current product portfolio. Our collaboration with DSM, a global science-based company headquartered in the Netherlands, as further discussed below, through which we obtained access to their bio-erodible polymer technology, is an example of this, as is our acquisition of assets from Envisia Therapeutics Inc. ("Envisia"), designed to advance our progress in developing potential future product candidates to treat retinal diseases.

Our strategy also includes developing our business outside of North America, including obtaining regulatory approval in Europe and Japan on our own for Rhopressa® and Rocklatan™. If we obtain regulatory approval, we currently expect to commercialize Rhopressa® (named Rhokiinsa® in Europe) and Rocklatan™ in Europe on our own, and likely partner for commercialization in Japan. We are continuing to expand our presence in Europe and are actively participating in European ophthalmology conferences and forums. We now have over 60 employees in Europe that manage the build-out and operation of our manufacturing plant in Ireland, discussed below, as well our clinical trial for Rocklatan®, which is ongoing in several European countries. We are also building our clinical, medical affairs and commercial teams in Europe.

In January 2017, we announced that we are building a new manufacturing plant in Athlone, Ireland. This will be our first manufacturing plant, which is expected to produce commercial supplies of Rhopressa® and, if approved, Rocklatan™ and Rhokiinsa®. Commercial supply from our Ireland manufacturing plant is expected to be available in 2020. Our current contract manufacturers started producing commercial supply of Rhopressa® in 2017 and have started to manufacture Rocklatan™ this year in anticipation of potential FDA approval and launch in 2019. We are also in the process of adding additional contract manufacturers, which are expected to produce the active pharmaceutical ingredient in Rhopressa® and finished product commercial supply beginning in the first half of 2019. We expect to continue to use product sourced from our current contract manufacturers when the Ireland plant is operational.

We own the worldwide rights to all indications for Rhopressa® and Rocklatan™. We have patent protection for Rhopressa® and Rocklatan™ in the United States through at least 2030 and internationally, through dates ranging from 2030 to 2037. Our intellectual property portfolio contains patents and pending patent applications related to composition of matter, pharmaceutical compositions, methods of use and synthetic methods.

Product and Product Candidate Overview

Rhopressa®, our only current product approved by the FDA, represents the first of a new drug class for reducing intraocular pressure ("IOP") in patients with glaucoma in over 20 years. Rhopressa® has demonstrated that it reduces IOP through Rho kinase ("ROCK") inhibition, its mechanism of action ("MOA"), by which Rhopressa® increases the outflow of aqueous humor through the trabecular meshwork ("TM"), which accounts for approximately 80% of fluid drainage from a healthy eye. Our advanced-stage pipeline consists of Rocklatan™, a single-drop fixed-dose combination of Rhopressa® and latanoprost, which reduces IOP through the same MOA as Rhopressa®, along with a second MOA that utilizes the ability of latanoprost to increase the outflow of aqueous humor through the uveoscleral pathway, the eye's secondary drain. In a "Day 74" letter received from the FDA, the Rocklatan™ Prescription Drug User Fee Act ("PDUFA") goal date was set for March 14, 2019. Both Rhopressa® and Rocklatan™ are taken once-daily in the evening and have shown in preclinical and clinical trials to be effective in reducing IOP, with a favorable safety profile.

Rhopressa®

Rhopressa® is a once-daily eye drop designed to reduce elevated IOP in patients with open-angle glaucoma or ocular hypertension. Rhopressa® received approval from the FDA on December 18, 2017, two months earlier than the scheduled PDUFA date of February 28, 2018. The active ingredient in Rhopressa®, netarsudil, is a ROCK inhibitor. In practice, early indications point to healthcare professionals positioning Rhopressa® as concomitant therapy to prostaglandins or non-PGA (prostaglandin analog) medications when additional IOP reduction is desired. Based on this positioning, we believe Rhopressa® may primarily compete with non-PGA products, due to its targeting of the diseased TM, its demonstrated ability to reduce IOP at consistent levels across tested baselines, its preferred once-daily dosing relative to currently marketed non-PGA products and its safety profile. Adjunctive therapies currently represent nearly one-half of the glaucoma prescription market in the United States, according to IQVIA (formerly known as IMS Health). We believe that Rhopressa® may also become a preferred therapy where PGAs are contraindicated, for patients who do not respond to PGAs and for patients who choose to avoid the cosmetic issues associated with PGA products.

On October 9, 2018, we announced that the European Medicines Agency ("EMA") accepted for review our marketing authorisation application ("MAA") for Rhopressa®, which will be marketed under the name Rhokiinsa® in Europe, if approved. We completed a Phase 1 clinical trial and commenced a Phase 2 clinical trial in the United States, which were designed to support meeting the requirements of Japan's Pharmaceuticals and Medical Devices Agency for potential regulatory submission of Rhopressa® in Japan. These clinical trials have included Japanese and Japanese-American subjects. We are also planning to initiate an additional Phase 2 clinical trial on Japanese patients in Japan to support subsequent Phase 3 registration trials that are expected to be conducted in Japan.

Rocklatan™

Our advanced-stage product candidate, Rocklatan™, is a once-daily fixed-dose combination of Rhopressa® and latanoprost. We believe, based on our clinical data, that Rocklatan™ has the potential to provide a greater IOP-reducing effect than any currently marketed glaucoma medication. Therefore, we believe that Rocklatan™, if approved, could compete with both PGA and non-PGA therapies and become the product of choice for patients requiring maximal IOP reduction, including those with higher IOPs and those who present with significant disease progression despite use of currently available therapies.

We submitted a New Drug Application ("NDA") for Rocklatan™ to the FDA in May 2018 under Section 505(b)(2) of the Federal Food, Drug and Cosmetic Act, which provides for an abbreviated approval pathway, since Rocklatan™ is a fixed dose combination of two FDA-approved drugs in the United States. In July 2018, we announced that the NDA was accepted for review by the FDA and the PDUFA goal date was set for March 14, 2019, which represents a ten-month review. This was communicated by the FDA via a "Day 74" letter, which also indicated that the application is sufficiently complete to permit a substantive review and that the FDA had not identified any potential review issues. The "Day 74" letter did not mention the need for an advisory committee.

We have completed two Phase 3 registration trials for Rocklatan™. The first Phase 3 registration trial for Rocklatan™, named Mercury 1, was a 12-month safety trial with a 90-day efficacy readout. Mercury 1 achieved its primary efficacy endpoint of demonstrating statistical superiority of Rocklatan™ to each of its components, including Rhopressa® and the market-leading PGA, latanoprost, and the safety and tolerability results showed no drug-related serious adverse events. On July 19, 2017, we announced the Mercury 1 12-month safety results, noting the safety results for Rocklatan™ showed no treatment-related serious adverse events and minimal evidence of treatment-related systemic effects. There were no new adverse events that developed over the 12-month period relative to the 90-day results, and there were no drug-related serious or systemic adverse events.

The second Phase 3 registration trial for Rocklatan™, named Mercury 2, was a 90-day efficacy and safety trial also designed to demonstrate statistical superiority of Rocklatan™ to each of its components. The Mercury 2 trial design was identical to that of Mercury 1, except that Mercury 2 was a 90-day trial without the additional nine-month safety extension included in Mercury 1. Both Mercury 1 and Mercury 2 achieved their 90-day primary efficacy endpoints of demonstrating statistical superiority of Rocklatan™ over each of its components at all measured time points in patients with maximum baseline IOPs of above 20 mmHg to below 36 mmHg.

Mercury 1 and Mercury 2 will also be used for European approval of Rocklatan™, and we initiated a third Phase 3 registration trial for Rocklatan™, named Mercury 3, in Europe during the third quarter of 2017. Mercury 3, a six-month safety trial, is designed to compare Rocklatan™ to Ganfort®, a fixed-dose combination product of bimatoprost, a PGA, and timolol marketed in Europe. If successful, Mercury 3 is expected to improve our commercialization prospects in Europe. We currently expect to read out topline 90-day efficacy data for the trial in 2019. We expect to submit an MAA with the EMA for Rocklatan™ after Rhokiinsa® is approved by the EMA, if such occurs.

Pipeline Opportunities

Our stated objective is to build a major ophthalmic pharmaceutical company. We are evaluating possible uses of our existing proprietary portfolio of ROCK inhibitors beyond glaucoma and ophthalmology. Our owned preclinical small molecule, AR-13503, has demonstrated the potential for the treatment of diabetic retinopathy and wet age-related macular degeneration ("AMD") by inhibiting ROCK and Protein kinase C. AR-13503 has shown lesion size decreases in an *in vivo* preclinical model of wet AMD at levels similar to the current market-leading wet AMD anti-vascular endothelial growth factor ("anti-VEGF") product. When used in combination with the market-leading anti-VEGF product, AR-13503 produced greater lesion size reduction than the anti-VEGF product alone in a model of proliferative diabetic retinopathy. This molecule has not yet been tested in humans in a clinical trial setting. Pending additional studies, AR-13503 may have the potential to provide an entirely new mechanism and pathway to treat diabetic retinopathy, wet AMD and related diseases of the retina, such as diabetic macular edema ("DME"). We expect to submit an Investigational New Drug application ("IND") for AR-13503 in early 2019. Since AR-13503 is a small molecule with a short half-life, and the aforementioned diseases are located in the back of the eye, a delivery mechanism is needed to deliver the molecule to the back of the eye for a sustained delivery period.

To that end, on July 31, 2017, we announced that we entered into a collaborative research, development and licensing agreement with DSM. The research collaboration agreement includes an option to license DSM's bio-erodible polymer implant technology for sustained delivery of certain Aerie compounds to treat ophthalmic diseases. This technology uses polyesteramide polymers to produce an injectable, thin fiber that is minute in size. Preclinical experiments have demonstrated early success in conjunction with AR-13503, including demonstration of linear, sustained elution rates over several months and achievement of target retinal drug concentrations. On August 1, 2018, we announced the expansion of our collaboration with DSM to provide for (i) a worldwide exclusive license for all ophthalmic indications to DSM's polyesteramide polymer technology, (ii) continuation of the collaborative research initiatives through the end of 2020, including the transfer of DSM's formulation technology to Aerie during that time and (iii) access to a preclinical latanoprost implant.

Further, on October 4, 2017, we acquired the rights to use PRINT® (Particle Replication in Non-wetting Templates) technology in ophthalmology and certain other assets from Envisia. The PRINT® technology is a proprietary system capable of creating precisely-engineered sustained-release products utilizing fully-scalable manufacturing processes. In addition, we acquired Envisia's intellectual property rights relating to Envisia's preclinical dexamethasone steroid implant for the potential treatment of DME that also utilizes the PRINT® technology, which we refer to as AR-1105. We expect to submit an IND for AR-1105 near the end of 2018. We will also focus on using PRINT® to manufacture injectable implants containing AR-13503, potentially in conjunction with the bio-erodible polymer from DSM. We are also evaluating this technology platform for sustained release of therapies to the front of the eye, including to treat glaucoma or ocular hypertension, as examples. We commenced operation of our good manufacturing practices-validated manufacturing facility for production of ophthalmic implants using PRINT® technology in our Durham, North Carolina, facility in October 2018.

We may continue to enter into research collaboration arrangements, license, acquire or develop additional product candidates and technologies to broaden our presence in ophthalmology, and we continually explore and discuss potential additional opportunities for new ophthalmic products, delivery alternatives and new therapeutic areas with potential partners. We are also currently screening our owned library of ROCK inhibitors for indications beyond ophthalmology, considering third-party studies and trials have demonstrated potential for ROCK inhibition in treating certain disease categories. We are initially focused on exploring potential opportunities for our molecules in pulmonary health, dermatology and cancers.

Financial Overview

Our cash, cash equivalents and investments totaled $236.0 million as of September 30, 2018. We believe our cash, cash equivalents and investments balances are adequate to provide for our current ongoing needs, though there may be need for additional financing activity as we continue to grow, such as the potential use of the credit facility we entered into in July 2018. No amounts were drawn at the closing of such credit facility or as of September 30, 2018. See "—Liquidity and Capital Resources" below and Note 9, "Debt," to our condensed consolidated financial statements included in this report for additional information.

We have incurred net losses since our inception in June 2005. Historically, our operations had primarily been limited to research and development and raising capital. As of September 30, 2018, we had an accumulated deficit of $645.0 million. We recorded net losses of $85.4 million and $181.1 million for the three and nine months ended September 30, 2018, respectively. We recorded net losses of $32.4 million and $86.6 million for the three and nine months ended September 30, 2017. Our capital resources and business efforts are largely focused on activities relating to the commercialization of Rhopressa®, advancing our product pipeline, international expansion and construction of our manufacturing facility in Athlone, Ireland. We expect to continue to incur operating losses until such a time when one or more of our products is commercially successful, if at all. If we do not successfully commercialize Rhopressa®, or Rocklatan™ or any future product candidates, if approved, we may be unable to generate adequate product revenue to achieve profitability. We may be required to draw down on the credit facility we entered into in July 2018, or to obtain further funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources. Adequate additional funding may not be available to us on acceptable terms, or at all. If we are unable to raise capital when needed or on acceptable terms, we may be forced to delay, reduce or eliminate our research and development programs or commercialization or manufacturing efforts.

Product Revenues, Net

We launched Rhopressa® in the United States in late April 2018 and commenced generating product revenues from sales of Rhopressa® during the second quarter of 2018. Our product revenues are recorded net of provisions relating to estimates for (i) trade discounts and allowances, such as discounts for prompt payment and distributor fees, (ii) estimated rebates to Third-party Payers, estimated payments for Medicare Part D prescription drug program coverage gap (commonly called the "donut hole"), patient co-pay program coupon utilization, chargebacks and other discount programs and (iii) reserves for expected product returns. These estimates reflect current contractual and statutory requirements, known market events and trends, industry data and forecasted customer mix. Actual amounts may ultimately differ from these estimates. If actual results vary, estimates may be adjusted in the period such change in estimate becomes known, which could have an impact on earnings in the period of adjustment.

We will not generate any revenue from Rocklatan™ or any future product candidates unless and until we obtain regulatory approval and commercialize such products.

Cost of Goods Sold

Cost of goods sold consists of direct and indirect costs to procure and manufacture Rhopressa® product sold, including third-party manufacturing costs. We began capitalizing inventory costs for Rhopressa® after receipt of FDA approval of Rhopressa® on December 18, 2017. Prior to receiving FDA approval, such costs were expensed as selling, general and administrative expenses. Cost of goods sold in 2018 will be favorably impacted by sales of Rhopressa® inventory that was expensed prior to FDA approval; however, we do not expect the impact to be material.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of salaries, benefits and stock-based compensation for all officers and employees in general management, sales and marketing, manufacturing, finance, and administration. Other significant expenses include pre-approval commercial-related manufacturing costs, sales and marketing planning activities, facilities expenses and professional fees for audit, tax, legal and other services.

We expect that our selling, general and administrative expenses will be higher in 2018 as compared to 2017 due to the commercialization efforts for Rhopressa®, including the hiring of sales representatives and additional employees focused on sales, marketing and manufacturing activities.

Research and Development Expenses

We expense research and development costs to operations as incurred. Research and development expenses consist primarily of costs incurred for the research and development of our preclinical and clinical candidates, including employee-related expenses for research and development personnel.

Excluding the $24.8 million of expense recognized in 2017 related to the Envisia asset acquisition, we expect that our research and development expenses will increase in 2018 as compared to 2017 due to clinical trial activities for both Rhopressa® and Rocklatan™ for jurisdictions outside of the United States and for research initiatives aimed at advancing our pipeline, including our preclinical molecules and technologies focused on retinal diseases.

Other Income (Expense), Net

Other income (expense) primarily includes interest income, interest expense, foreign exchange gains and losses, and other income and expense. Interest income primarily consists of interest earned on our cash, cash equivalents and investments, and amortization or accretion of discounts and premiums on our investments. Interest expense consists of interest expense under the 2014 Convertible Notes, including the amortization of debt discounts and issuance costs incurred prior to conversion of the 2014 Convertible Notes on July 23, 2018. Interest expense also includes the amortization of issuance costs and commitment fees incurred on the credit facility entered into on July 23, 2018. Foreign exchange gains and losses are primarily due to the remeasurement of our Euro-denominated liability related to our build-to-suit lease obligation, which is held by a subsidiary with a U.S. dollar functional currency. Other expense for the three and nine months ended September 30, 2018 also includes the value of additional shares of Aerie common stock issued to complete the conversion of the 2014 Convertible Notes in July 2018. See Note 9, "Debt," to our condensed consolidated financial statements included in this report for additional information.

Critical Accounting Policies and Use of Estimates

Our management's discussion and analysis of financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The preparation of consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, net revenue, costs and expenses and related disclosures. We evaluate our estimates and judgments on an ongoing basis. Significant estimates include assumptions used in the determination of revenue recognition, accrued expenses, fair value measurements, acquisitions and stock-based compensation. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Other than the application of revenue recognition policies and estimates as described below, our critical accounting policies and significant estimates have not materially changed since the date we filed our 2017 Form 10-K. For more information on our critical accounting policies and estimates, refer to our 2017 Form 10-K.

Revenue Recognition

We recognize revenue when our customers obtain control of our product in an amount that reflects the consideration we expect to receive from our customers in exchange for that product. To determine revenue recognition for contracts that are determined to be in scope of the Financial Accounting Standards Board Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* ("ASC Topic 606"), we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy the performance obligation. We only apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services transferred to our customer. Once the contract is determined to be within the scope of ASC Topic 606, we assess the goods or services promised within each contract and determine those that are performance obligations and assess whether each promised good or service is distinct. We then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when the performance obligation is satisfied. Shipping and handling costs related to our product sales are included in selling, general and administrative expenses.

Net product revenues for the three and nine months ended September 30, 2018 were derived from sales of Rhopressa® in the United States to customers, which principally include a limited number of national and select regional wholesalers (the "Distributors"). These Distributors subsequently resell the product, primarily to retail pharmacies that dispense the product to patients. We expense incremental costs of obtaining a contract as and when incurred if the expected amortization period of the

asset that would have been recognized is one year or less or the amount is immaterial. The product that is ultimately used by patients is generally covered by third-party payers, such as government or private healthcare insurers and pharmacy benefit managers ("Third-party Payers") and may be subject to rebates and discounts payable directly to those Third-party Payers. We have already obtained coverage in some commercial and Medicare Part D plans and are in the process of increasing those levels of coverage. In the glaucoma market in the United States, approximately half of the volumes are covered under commercial plans and half under Medicare Part D. Medicare Part D coverage would normally commence for Rhopressa®, as with other new products, on January 1, 2019. However, there have been early acceptances of Rhopressa® onto certain Medicare Part D plans, commencing as early as June 1, 2018.

Product revenue is recorded net of trade discounts, allowances, rebates, chargebacks, estimated returns and other incentives, discussed below. These reserves are classified as either reductions of accounts receivable or as current liabilities. Amounts billed or invoiced are included in accounts receivable, net on the condensed consolidated balance sheet. We did not have any contract assets (unbilled receivables) at September 30, 2018, as customer invoicing generally occurs before or at the time of revenue recognition. We did not have any contract liabilities at September 30, 2018, as we did not receive payments in advance of fulfilling our performance obligations to our customers.

Net product revenue is typically recognized when the Distributors obtain control of our product, which occurs at a point in time, typically upon delivery of Rhopressa® to the Distributors. For both the three and nine months ended September 30, 2018, three Distributors accounted for 34%, 32% and 31% of total revenues, respectively. We evaluate the creditworthiness of each of our Distributors to determine whether it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur. We do not assess whether a contract has a significant financing component if the expectation is such that the period between the transfer of the promised goods to the customer and the receipt of payment will be less than one year. Standard credit terms do not exceed 75 days.

We calculate our net product revenue based on the wholesale acquisition cost that we charge our Distributors for Rhopressa® less variable consideration. Variable consideration consists of estimates relating to (i) trade discounts and allowances, such as discounts for prompt payment and Distributor fees, (ii) estimated rebates to Third-party Payers, estimated payments for Medicare Part D prescription drug program coverage gap (commonly called the "donut hole"), patient co-pay program coupon utilization, chargebacks and other discount programs and (iii) reserves for expected product returns. The estimates of reserves established for variable consideration reflect current contractual and statutory requirements, known market events and trends, industry data and forecasted customer mix. The transaction price, which includes variable consideration reflecting the impact of discounts and allowances, may be subject to constraint and is included in the net product revenues only to the extent that it is probable that a significant reversal of the amount of the cumulative revenues recognized will not occur in a future period. Actual amounts may ultimately differ from these estimates. If actual results vary, estimates may be adjusted in the period such change in estimate becomes known, which could have an impact on earnings in the period of adjustment.

Trade Discounts and Allowances: We generally provide discounts on sales of Rhopressa® to our Distributors for prompt payment and pay fees for distribution services and for certain data that Distributors provide to us. We expect our Distributors to earn these discounts and fees, and accordingly deduct the full amount of these discounts and fees from our gross product revenues at the time such revenues are recognized.

Rebates, Chargebacks and Other Discounts: We contract with Third-party Payers for coverage and reimbursement of Rhopressa®. We estimate the rebates and chargebacks we expect to be obligated to provide to Third-party Payers and deduct these estimated amounts from our gross product revenue at the time the revenue is recognized. We estimate the rebates and chargebacks that we expect to be obligated to provide to Third-party Payers based upon (i) our contracts and negotiations with these Third-party Payers, (ii) estimates regarding the payer mix for Rhopressa® and (iii) historical industry information regarding the payer mix for comparable pharmaceutical products and product portfolios. Other discounts include our co-pay assistance programs for commercially-insured patients meeting certain eligibility requirements. The calculation of the accrual for co-pay assistance is based on an estimate of claims and the cost per claim that we expect to pay associated with product that has been recognized as revenue.

Product Returns: We estimate the amount of Rhopressa® that will be returned and deduct these estimated amounts from our gross revenue at the time the revenue is recognized. We currently estimate product returns based on historical industry information regarding rates for comparable pharmaceutical products and product portfolios, the estimated remaining shelf life of Rhopressa® shipped to Distributors, and contractual agreements with our Distributors intended to limit the amount of inventory they maintain. Reporting from the Distributors includes Distributor sales and inventory held by Distributors, which provide us with visibility into the distribution channel to determine when product would be eligible to be returned.

Results of Operations

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

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

	THREE MONTHS ENDED SEPTEMBER 30,			
	2018	2017	CHANGE	% CHANGE
	(in thousands, except percentages)			
Product revenues, net	$ 7,302	$ —	$ 7,302	*
Total revenues, net	7,302	—	7,302	*
Cost of goods sold	205	—	205	*
Selling, general and administrative expenses	39,933	19,774	20,159	102%
Research and development expenses	28,502	12,408	16,094	130%
Total costs and expenses	68,640	32,182	36,458	113%
Loss from operations	(61,338)	(32,182)	(29,156)	91%
Other income (expense), net	(24,050)	(141)	(23,909)	*
Loss before income taxes	$ (85,388)	$ (32,323)	$ (53,065)	164%

**Percentage not meaningful*

Product revenues, net

Product revenues, net amounted to $7.3 million for the three months ended September 30, 2018 and relate to sales of Rhopressa®, which we launched in the United States at the end of April 2018. Rhopressa® is our first product to receive regulatory approval, and we did not generate any revenues prior to the second quarter of 2018.

Cost of goods sold

Cost of goods sold was $0.2 million for the three months ended September 30, 2018. Our gross margin percentage of 97.2% was favorably impacted during the three months ended September 30, 2018 by sales of Rhopressa® with certain materials produced prior to FDA approval and therefore expensed in prior periods. If inventory sold during the three months ended September 30, 2018 was valued at cost, our gross margin for the period then ended would have been 96.3%.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by $20.2 million for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017. This increase was primarily associated with the expansion of our employee base to support the growth of our operations, as well as sales and marketing expenses incurred in connection with our commercial launch of Rhopressa®. Employee-related expenses increased by $11.6 million primarily due to increased headcount, including the addition of our sales force and an increase in stock-based compensation expense of $2.4 million. Expenses related to our sales and marketing activities increased by $7.6 million for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017 resulting from our Rhopressa® commercial launch in the United States.

Research and development expenses

Research and development expenses increased by $16.1 million for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017. This increase is primarily comprised of an increase of $8.4 million related to preclinical programs, including $7.4 million related to our expanded collaboration agreement with DSM of which $6.0 million was paid to DSM upon execution of such agreement, an increase of $3.1 million of employee-related expenses, including stock-based compensation, and an increase of $2.0 million related to Rhopressa®.

Research and development expenses for Rhopressa® totaled $3.9 million and $1.9 million for three months ended September 30, 2018 and 2017, respectively. Expenses for Rhopressa® during the three months ended September 30, 2018 primarily relate to costs incurred for our Phase 2 clinical trial for Japanese regulatory approval. Research and development expenses for Rocklatan™ totaled $0.9 million and $1.8 million for three months ended September 30, 2018 and 2017, respectively. Expenses

for Rocklatan™ during the three months ended September 30, 2018 include costs related to the Mercury 3 registration trial in Europe.

Other income (expense), net

Other income (expense), net consists of the following:

	THREE MONTHS ENDED SEPTEMBER 30,		
	2018	2017	CHANGE
	(in thousands)		
Interest income	$ 834	$ 619	$ 215
Interest expense	(763)	(597)	(166)
Other income (expense)	(24,121)	(163)	(23,958)
Other income (expense), net	$ (24,050)	$ (141)	$ (23,909)

The change in other income (expense), net for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017 primarily relates to the value of the additional 329,124 shares of Aerie common stock issued to Deerfield in the amount of $24.1 million, which was recorded as other expense during the third quarter of 2018 in connection with the induced conversion of the entire outstanding principal amount of the 2014 Convertible Notes in July 2018. See Note 9, "Debt," to our condensed consolidated financial statements included in this report for additional information. In addition, the increase in interest income is primarily due to the increase in our cash, cash equivalents and investments balances.

Comparison of the Nine Months Ended September 30, 2018 and 2017:

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

	NINE MONTHS ENDED SEPTEMBER 30,			
	2018	2017	CHANGE	% CHANGE
	(in thousands, except percentages)			
Product revenues, net	$ 9,725	$ —	$ 9,725	*
Total revenues, net	9,725	—	9,725	*
Cost of goods sold	264	—	264	*
Selling, general and administrative expenses	107,647	51,402	56,245	109%
Research and development expenses	59,631	33,977	25,654	76%
Total costs and expenses	167,542	85,379	82,163	96%
Loss from operations	(157,817)	(85,379)	(72,438)	85%
Other income (expense), net	(23,291)	(1,071)	(22,220)	*
Loss before income taxes	$ (181,108)	$ (86,450)	$ (94,658)	109%

**Percentage not meaningful*

Product revenues, net

Product revenues, net amounted to $9.7 million for the nine months ended September 30, 2018 and relate to sales of Rhopressa®, which we launched in the United States at the end of April 2018. Rhopressa® is our first product to receive regulatory approval. We did not generate any revenues prior to the nine months ended September 30, 2018.

Cost of goods sold

Cost of goods sold was $0.3 million for the nine months ended September 30, 2018. Our gross margin percentage of 97.3% was favorably impacted during the nine months ended September 30, 2018 by sales of Rhopressa® with certain materials produced prior to FDA approval and therefore expensed in prior periods. If inventory sold during the nine months ended September 30, 2018 was valued at cost, our gross margin for the period then ended would have been 96.4%.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by $56.2 million for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017. This increase was primarily associated with the expansion of our employee base to support the growth of our operations, as well as sales and marketing expenses incurred in connection with our commercial launch of Rhopressa®. Employee-related expenses increased by $31.7 million primarily due to increased headcount, including the addition of our sales force and an increase in stock-based compensation expense of $7.8 million. Expenses related to our sales and marketing activities increased by $18.4 million, for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 resulting from our Rhopressa® commercial launch in the United States.

Research and development expenses

Research and development expenses increased by $25.7 million for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017. This increase is primarily comprised of an increase of $10.1 million related to preclinical programs, including $7.4 million related to our expanded collaboration agreement with DSM of which $6.0 million was paid to to DSM upon execution of such agreement, an increase of $8.8 million of employee-related expenses, including stock-based compensation, and a $2.3 million increase in expenses related to Rhopressa®, partially offset by a $3.1 million decrease in expenses related to Rocklatan™.

Research and development expenses for Rhopressa® totaled $6.5 million and $4.2 million for the nine months ended September 30, 2018 and 2017, respectively. Expenses for Rhopressa® during the nine months ended September 30, 2018 primarily relate to costs incurred for our Phase 2 clinical trial for Japanese regulatory approval. Research and development expenses for Rocklatan™ totaled $5.1 million and $8.2 million for the nine months ended September 30, 2018 and 2017, respectively. Our Phase 3 clinical trials for Rocklatan™ in the United States were completed during the third quarter of 2017. We submitted an NDA for Rocklatan™ with the FDA in May 2018. Expenses for Rocklatan™ for the nine months ended September 30, 2018 include an NDA filing fee of $2.4 million as well as costs related to the Mercury 3 registration trial in Europe.

Other income (expense), net

Other income (expense), net consists of the following:

	NINE MONTHS ENDED SEPTEMBER 30,		
	2018	2017	CHANGE
	(in thousands)		
Interest income	$ 2,533	$ 1,293	$ 1,240
Interest expense	(1,732)	(1,799)	67
Other income (expense)	(24,092)	(565)	(23,527)
Other income (expense), net	$ (23,291)	$ (1,071)	$ (22,220)

The change in other income (expense), net for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 primarily relates to the value of the additional 329,124 shares of Aerie common stock issued to Deerfield in the amount of $24.1 million, which was recorded as other expense during the third quarter of 2018 in connection with the induced conversion of the entire outstanding principal amount of the 2014 Convertible Notes in July 2018. See Note 9, “Debt,” to our condensed consolidated financial statements included in this report for additional information. In addition, the increase in interest income is primarily due to the increase in our cash, cash equivalents and investments balances.

Liquidity and Capital Resources

Since our inception, we have funded operations primarily through the sale of equity securities and the issuance of convertible notes. We have incurred losses and experienced negative operating cash flows since our inception and anticipate that we will continue to incur losses until such a time when one or more of our products is commercially successful, if at all. We received FDA approval for Rhopressa® on December 18, 2017 and launched Rhopressa® in the United States in late April 2018. As a result, we commenced generating product revenues related to sales of Rhopressa® in the second quarter of 2018.

Sources of Liquidity

During the nine months ended September 30, 2018, we issued approximately 2.3 million shares of our common stock, for which we received net proceeds of approximately $136.4 million, after deducting fees and expenses. This includes approximately $62.3 million of net proceeds from our "at-the-market" sales agreement ("ATM") and approximately $74.1 million of net proceeds from the issuance of shares of our common stock pursuant to an underwriting agreement related to a registered public offering.

As of September 30, 2018, our principal sources of liquidity were our cash, cash equivalents and investments, which totaled approximately $236.0 million. In July 2018, the Company entered into a $100 million senior secured delayed draw term loan facility that matures on July 23, 2024. No funds were drawn at closing or as of September 30, 2018. See Note 9, "Debt," to our condensed consolidated financial statements included in this report for additional information.

Cash Flows

The following table summarizes our sources and uses of cash:

	NINE MONTHS ENDED SEPTEMBER 30,	
	2018	2017
	(in thousands)	
Net cash (used in) provided by:		
Operating activities	$ (121,062)	$ (67,063)
Investing activities	21,698	(59,594)
Financing activities	136,749	122,790
Net change in cash and cash equivalents	$ 37,385	$ (3,867)

Operating Activities

During the nine months ended September 30, 2018 and 2017, net cash used in operating activities was $121.1 million and $67.1 million, respectively. The increase in cash used in operating activities during the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 was primarily due to the expansion of our employee base, as well as an increase in cash used for commercial operations and manufacturing activities for the launch of Rhopressa® and development activities related to our product pipeline.

Investing Activities

During the nine months ended September 30, 2018, our investing activities provided net cash of $21.7 million primarily related to sales and maturities of available-for-sale investments of $107.3 million, which were partially offset by purchases of available-for-sale investments of $56.2 million and purchases of property, plant and equipment of $29.4 million primarily related to the build-out of our manufacturing plant in Ireland. During the nine months ended September 30, 2017, our investing activities used net cash of approximately $59.6 million primarily related to purchases of available-for-sale investments of $101.2 million and purchases of property, plant and equipment of $7.1 million, partially offset by sales and maturities of available-for-sale investments of $48.7 million.

Financing Activities

During the nine months ended September 30, 2018 and 2017, our financing activities provided net cash of $136.7 million and $122.8 million, respectively. The net cash provided by financing activities for nine months ended September 30, 2018 was primarily related to the issuance and sale of common stock pursuant to our prior "at-the-market" sales agreement and underwriting agreement related to a registered public offering, from which we received total net proceeds of approximately $136.0 million, net of expenses paid during the period. In addition, we received net proceeds of $2.9 million from stock-based compensation arrangements, primarily from employee exercises of stock options and stock purchase rights under our employee stock purchase plan, partially offset by taxes paid on employees' behalf through withholding of shares on restricted stock awards and option exercises. The net cash provided by financing activities for the nine months ended September 30, 2017 was primarily related to the issuance and sale of common stock pursuant to our prior "at-the-market" sales agreement and underwriting agreement related to a registered public offering, from which we received total net proceeds of approximately $122.0 million, net of expenses paid during the period.

Operating Capital Requirements

We expect to incur ongoing operating losses until such a time when Rhopressa® or Rocklatan™ or any other product, if approved in the future, are commercially successful, if at all.

Our principal liquidity requirements are for: working capital; future increased operational expenses; commercialization and manufacturing activities; expenses associated with developing our pipeline opportunities, including pursuing strategic growth opportunities; costs associated with executing our international expansion strategy, including clinical and potential commercialization activities in Europe and Japan; contractual obligations; capital expenditures, including completing our manufacturing plant in Ireland; and debt service payments.

In January 2017, we entered into a lease agreement for a new manufacturing plant in Ireland under which we are leasing approximately 30,000 square feet of interior floor space for build-out. Capital expenditures related to the manufacturing plant totaled approximately $24.2 million during the nine months ended September 30, 2018.

We believe that our cash, cash equivalents and investments as of September 30, 2018 will provide sufficient resources to support our commercial activities for Rhopressa® through at least the next twelve months and to support the expected approval and planned commercialization of Rocklatan™ in the United States. In July 2018, we entered into a $100 million senior secured delayed draw term loan facility, pursuant to which we may borrow up to $100 million in aggregate in one or more borrowings at any time prior to July 23, 2020. The first two years of payments on any drawn amounts will be on an interest-only basis. We do not currently intend on drawing down on the credit facility but may do so if and as needed.

Our future funding requirements will depend on many factors, including, but not limited to the following:

- costs of commercialization activities for Rhopressa® and Rocklatan™ and any future product candidates, if approved, including the costs and timing of establishing product sales, marketing, manufacturing and distribution capabilities, and related product sales performance;
- commercial performance of Rhopressa® and Rocklatan™ or any future product candidates, if approved;
- costs, timing and outcome of seeking regulatory approval;
- timing and costs of our ongoing and future clinical trials and preclinical studies;
- costs to complete our new manufacturing plant in Ireland;
- costs of any follow-on development or products, including the exploration and/or development of any additional indications or additional opportunities for new ophthalmic product candidates, delivery alternatives and new therapeutic areas;
- costs of any new business strategies;
- costs of operating as a public company, including legal, compliance, accounting and investor relations activities;
- terms and timing of any acquisitions, collaborations, licensing, consulting or other arrangements;
- costs related to our credit facility; and
- filing and prosecuting patent applications, maintaining and protecting our intellectual property rights and defending against intellectual property related claims.

We based our projections on assumptions that may prove to be incorrect or unreliable or may change due to circumstances beyond our control, and as a result, we may consume our available capital resources earlier than we originally projected. We may need to obtain additional financing to fund our future operations or we may decide, based on various factors, that additional financings are desirable. If such funding is required, we cannot guarantee that it will be available to us on favorable terms, if at all.

Outstanding Indebtedness

In July 2018, our $125.0 million aggregate principal amount of 2014 Convertible Notes were converted into shares of Aerie common stock. Also, in July 2018, we entered into a $100 million senior secured delayed draw term loan facility, pursuant to which we may borrow up to $100 million in aggregate in one or more borrowings at any time prior to July 23, 2020. No amounts were drawn at closing or as of September 30, 2018. See Note 9, “Debt,” to our condensed consolidated financial statements included in this report for additional information.

Contractual Obligations and Commitments

There have been no material changes to our contractual obligations and commitments as included in our 2017 Form 10-K, except for (i) minimum purchase commitments for the Rhopressa® active pharmaceutical ingredient and finished drug product of approximately $35.5 million over the next five years; (ii) the conversion of the 2014 Convertible Notes in July 2018, which were converted into shares of Aerie common stock (see Note 9, "Debt," to our condensed consolidated financial statements included in this report for additional information); and (iii) the entry into the agreement governing our new $100 million delayed draw term loan facility, which was entered into in July 2018, and includes annual fees on undrawn amounts and fees and interest on drawn amounts. No amounts were drawn at closing or as of September 30, 2018. See Note 9, "Debt," to our condensed consolidated financial statements included in this report for additional information. The description of the credit facility does not purport to be complete and is qualified in its entirety by reference to the credit facility, a copy of which was filed with our Current Report on Form 8-K as Exhibit 10.1, filed with the SEC on July 23, 2018.

Manufacturing Agreements

The Company has manufacturing agreements with Bausch & Lomb Incorporated ("Bausch & Lomb") and Cayman Chemical Company, Incorporated ("Cayman Chemical"). The agreement with Bausch & Lomb was originally entered into on December 9, 2014 and was amended on May 31, 2018 and August 15, 2018 (together, the "B&L Supply Agreement"). Bausch & Lomb was appointed as contract manufacturer for the Company and agreed to manufacture and supply to the Company certain products, including Rhopressa® and Rocklatan™. Under the agreement, Bausch & Lomb is required to reserve sufficient manufacturing capacity to supply the Company with specified annual minimum quantities of product and Bausch & Lomb is required to supply the Company such quantities of products ordered by the Company based on a rolling monthly estimated forecast of the Company's need for a twelve-month period. The B&L Supply Agreement contains a restrictive covenant that Bausch & Lomb will not manufacture or supply, to any third party, any product containing the Company's proprietary compounds during the term of the agreement and for a period of five years thereafter. The B&L Supply Agreement contains termination rights for each of the Company and Bausch & Lomb, including termination rights upon certain breaches of the B&L Supply Agreement, insolvency or upon other specified events. The B&L Supply Agreement will expire on December 31, 2024, unless extended. The amendments assigned Aerie's obligations pursuant to the base B&L Supply Agreement to Aerie Distribution and added a covenant to provide inventory reports, along with other minor updates.

The Company and Cayman Chemical entered into a manufacture and supply agreement on January 1, 2018 (the "Cayman Supply Agreement") pursuant to which Cayman Chemical agreed to manufacture and supply the Company with the active pharmaceutical ingredient of Rhopressa®. The Cayman Supply Agreement requires Cayman Chemical to provide the Company with specified requested quantities of the active pharmaceutical ingredient of Rhopressa® ordered in accordance with the terms of the supply agreement. The Cayman Supply Agreement grants Cayman Chemical a non-exclusive, royalty free-license to use the Company's intellectual property for the sole purpose of manufacturing the active pharmaceutical ingredient of Rhopressa® for the Company. Under the Cayman Supply Agreement, the Company has the right to audit Cayman Chemical's facility to ensure that the manufacturing is in compliance with the Cayman Supply Agreement. The Cayman Supply Agreement contains termination rights for each of the Company and Cayman Chemical upon certain breaches of the Cayman Supply Agreement, regulatory issues and other specified events and includes a termination fee payable by the Company to Cayman Chemical if the Company terminates for specified reasons. The Cayman Supply Agreement will expire on December 31, 2022, unless extended.

The foregoing descriptions of the B&L Supply Agreement and the Cayman Supply Agreement do not purport to be complete and are qualified in their entirety by reference to the B&L Supply Agreement and the Cayman Supply Agreement, copies of which are attached to this Quarterly Report on Form 10-Q as Exhibits 10.4 and 10.7, respectively.

Off-Balance Sheet Arrangements

None.

Recent Accounting Pronouncements

For a discussion of recently issued accounting standards, see Note 2, "Significant Accounting Policies," to our condensed consolidated financial statements included in this report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We have market risk exposure to interest income sensitivity, which is affected by changes in the general level of U.S. interest rates. Our cash and cash equivalents as of September 30, 2018 totaled $235.0 million. Our investments totaled $1.0 million as of September 30, 2018 and consisted of corporate bonds. As of December 31, 2017, our cash and cash equivalents totaled $197.6 million. Our investments totaled $52.1 million as of December 31, 2017 and consisted of commercial paper and corporate bonds. Given the short-term nature of our cash, cash equivalents and investments and our investment policy, a sudden change in market interest rates would not be expected to have a material impact on our financial condition or results of operations. We do not engage in any hedging activities against changes in interest rates.

We face market risks attributable to fluctuations in foreign currency exchange rates and exposure on the remeasurement of foreign currency-denominated monetary assets or liabilities into U.S. dollars. In particular, our operations and subsidiary in Ireland may enter into certain obligations or transactions in Euros or other foreign currencies, but has a U.S. dollar functional currency. We currently do not have any derivative instruments or a foreign currency hedging program. To date and during the nine months ended September 30, 2018, foreign currency exposure and foreign currency financial instruments have not been material.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)), as of the end of the period covered by this report. Based upon the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2018, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, 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 their objectives, and management necessarily applies its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We may periodically become subject to legal proceedings and claims arising in connection with our business. Except as previously disclosed for matters which have now concluded, we are not a party to any known litigation, are not aware of any unasserted claims and do not have contingency reserves established for any litigation liabilities.

Item 1A. Risk Factors

You should consider carefully the risks set forth under "Risk Factors" in our 2017 Form 10-K, and other documents that we have filed or furnished with the SEC. Except as set forth below, there have been no material changes to these risk factors.

Borrowings under the Credit Facility could adversely affect our financial condition and restrict our operating flexibility.

In July 2018, we entered into an agreement with respect to a senior secured delayed draw term loan facility (the "Credit Facility"), pursuant to which we may borrow up to $100.0 million in aggregate in one or more borrowings at any time prior to July 23, 2020. The Credit Facility includes fees upon drawdown of 1.75% of amounts drawn, an 8.625% annual interest rate on drawn amounts, annual fees on undrawn amounts of 1.5% and an exit fee of $1.5 million. No amounts were drawn at closing or as of September 30, 2018. Interest payments, fees, covenants and restrictions under the Credit Facility could have important consequences, including the following:

- impairing our ability to successfully continue to commercialize Rhopressa® or complete the development of Rocklatan™ and any future product candidates, which would prevent us from generating a source of revenue and becoming profitable;
- limiting our ability to obtain additional financing on satisfactory terms to fund our working capital requirements, capital expenditures, potential acquisitions, debt obligations and other general corporate requirements, and making it more difficult for us to satisfy our obligations with respect to any such additional financing; and
- increasing our vulnerability to general economic downturns, competition and industry conditions, which could place us at a competitive disadvantage compared to our competitors with no debt obligations or with debt obligations on more favorable terms.

The occurrence of any one of these events could have an adverse effect on our business, financial condition, operating results or cash flows and ability to satisfy our obligations under the Credit Facility and any other indebtedness.

Although the agreement governing the Credit Facility contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and any additional indebtedness incurred in compliance with these restrictions could be substantial. If new debt is incurred in addition to debt incurred under the Credit Facility, the related risks that we face would be increased.

The terms of the Credit Facility may restrict our current and future operations, particularly our ability to respond to changes in our business or to take certain actions.

The Credit Facility contains, and the terms of any future indebtedness of ours would likely contain, a number of restrictive covenants that impose significant operating restrictions, including restrictions on our ability to engage in acts that may be in our best long-term interests. The Credit Facility includes covenants that, among other things, restrict or otherwise limit our ability to:

- incur additional indebtedness and create liens;
- make restricted payments;
- undergo fundamental changes;
- dispose of assets;
- make investments; and

- enter into transactions with affiliates.

If not cured, as applicable, a breach of any of these provisions could result in a default under the Credit Facility that would allow our lenders to declare any outstanding debt immediately due and payable. In addition, the Credit Facility is secured by substantially all of our existing and hereafter created or acquired domestic assets, including our intellectual property, accounts receivable, equipment, general intangibles, inventory and investment property, and all of the proceeds and products of the foregoing. If we are unable to pay any amounts due and payable under the Credit Facility because we do not have sufficient cash on hand or are unable to obtain alternative financing on acceptable terms, the lenders could initiate a bankruptcy proceeding or proceed against any assets that serve as collateral to secure the Credit Facility.

These restrictions could limit our ability to obtain future financings, make needed capital expenditures, withstand future downturns in the economy or otherwise conduct necessary corporate activities. We may also be prevented from taking advantage of business opportunities that arise because of limitations imposed on us by the restrictive covenants under the Credit Facility.

Our actual or perceived failure to comply with foreign governmental regulations and other legal obligations related to privacy, data protection and information security could harm our reputation and business.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information, data about our clinical participants, suppliers and business partners and personally identifiable information. Any access, disclosure or other loss of information could result in legal claims or proceedings, liability under data privacy laws, disruption of our operations and damage to our reputation, all of which could materially adversely affect our business. With our increasing international presence, we are subject to the laws of multiple jurisdictions. Privacy and data protection laws may be interpreted and applied differently from country to country and may create inconsistent or conflicting requirements, which could increase the costs incurred by us in complying with such laws.

The European Union ("EU") member states, Switzerland and other countries have established, or are in the process of establishing, legal frameworks for privacy and data security that impose significant compliance obligations with which our customers, our vendors or we must comply. For example, the EU's General Data Protection Regulation (the "GDPR"), which became effective on May 25, 2018, imposes strict requirements on data controllers and processors of personal data. The GDPR is wide-ranging in scope and imposes numerous requirements, including requirements relating to processing sensitive data (including health, biometric and genetic information), obtaining consent of the individuals to whom the personal data relates, providing information to individuals regarding data processing activities, implementing safeguards to protect the security and confidentiality of personal data, providing notification of data breaches and taking certain measures when engaging third-party processors. In addition, the GDPR grants individuals an express right to seek legal remedies in the event the individual believes his or her rights have been violated. Further, the GDPR imposes strict rules on the transfer of personal data out of the EU, including to the United States and other regions.

The GDPR introduced new fines and penalties for a breach of requirements, which may result in significant fines of up to 4% of global revenues, or €20.0 million, whichever is greater. Compliance with the GDPR will be a rigorous and time-intensive process that may increase our cost of doing business or require us to change our business practices. As a result of the implementation of the GDPR, we were required to put in place additional mechanisms to ensure compliance with the new data protection rules, although there is a risk that the measures will not be implemented correctly or that individuals within our business will not be fully compliant with the new procedures. If there are any breaches of these measures, we could face significant administrative and monetary sanctions as well as reputational damage, which may have a material adverse effect on our business.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

4.1†	Exchange and Termination Agreement, dated July 23, 2018, by and among Aerie Pharmaceuticals, Inc., Deerfield Private Design Fund III, L.P., Deerfield Partners, L.P. and Deerfield Special Situations Fund, L.P. (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-36152) filed on July 23, 2018).
4.2†	Registration Rights Agreement, dated July 23, 2018, by and among Aerie Pharmaceuticals, Inc., Deerfield Private Design Fund III, L.P., Deerfield Partners, L.P. and Deerfield Special Situations Fund, L.P. (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-36152) filed on July 23, 2018).
10.1†	Credit Agreement, dated as of July 23, 2018, by and among Aerie Pharmaceuticals, Inc., Aerie Distribution, Inc., the other Loan Parties (as defined therein) party thereto from time to time, Deerfield Partners, L.P., Deerfield Special Situations Fund, L.P. and Deerfield Private Design Fund III, L.P., as lenders, and Deerfield Private Design Fund III, L.P., as agent for itself and the lenders party thereto from time to time. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36152) filed on July 23, 2018).
10.2†	Guaranty and Security Agreement, dated as of July 23, 2018, by and among Aerie Pharmaceuticals, Inc., the other Grantors and Guarantors (each as defined therein) party thereto from time to time, and Deerfield Private Design Fund III, L.P., as agent. (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-36152) filed on July 23, 2018).
10.3†	First Amendment to Credit Agreement, dated August 7, 2018, by and among Aerie Pharmaceuticals, Inc., the guarantors party thereto, the lenders party thereto, and Deerfield Private Design Fund III, L.P., as agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 10-Q (File No. 001-36152) filed on August 9, 2018).
10.4*††	Contract Manufacturing Supply Agreement, dated as of December 9, 2014, by and between Bausch & Lomb Incorporated and Aerie Pharmaceuticals, Inc.
10.5*††	First Amendment to Contract Manufacturing Supply Agreement, dated as of May 31, 2018, by and between Bausch & Lomb Incorporated, Aerie Pharmaceuticals, Inc. and Aerie Distribution Incorporated.
10.6*††	Second Amendment to Contract Manufacturing Supply Agreement, dated as of August 15, 2018, by and between Bausch & Lomb Incorporated, Aerie Pharmaceuticals, Inc. and Aerie Distribution Incorporated.
10.7*††	Manufacture and Supply Agreement, dated as of January 1, 2018, by and between Cayman Chemical Company, Incorporated and Aerie Distribution, Incorporated.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1**	Certification of Chief 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 Chief 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.LAB***	XBRL Taxonomy Extension Label Linkbase Database.
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF***	XBRL Taxonomy Extension Definition Linkbase Document.

† Previously filed.

†† The Registrant has requested confidential treatment for certain portions of this Exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

* Filed herewith.

** Furnished herewith.

*** Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language):

(i) Condensed Consolidated Balance Sheets at September 30, 2018 and December 31, 2017 (unaudited), (ii) Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and nine months ended September 30, 2018 and 2017 (unaudited), (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 (unaudited) and (iv) Notes to Condensed Consolidated Financial Statements (unaudited).

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.

AERIE PHARMACEUTICALS, INC.

Date: November 7, 2018

/s/ RICHARD J. RUBINO

Richard J. Rubino
Chief Financial Officer
(Principal Financial and Accounting Officer)

In this document, "[***]" indicates that confidential materials have been redacted from this document and filed separately with the Securities and Exchange Commission.

Exhibit 10.4

BAUSCH & LOMB, INC.
CONTRACT MANUFACTURING SUPPLY AGREEMENT

This CONTRACT MANUFACTURING SUPPLY AGREEMENT, made this 09th day of December, 2014 ("Effective Date") by and between BAUSCH & LOMB INCORPORATED, a New York corporation, having its principal office located at 8500 Hidden River Parkway, Tampa, Florida 33637 ("B&L"), and AERIE PHARMACEUTICALS, Inc. (hereafter referred to as 'AERIE') having its principal office located at 135 US Highway 206, Suite 15, Bedminster, NJ 07921.

WHEREAS, AERIE desires that B&L be appointed the contract manufacturer for certain Product(s) as listed in Appendix C;

WHEREAS B&L agrees to manufacture and supply to AERIE certain Products (as defined herein) under the terms and conditions of this Supply Agreement for and to AERIE.

NOW, THEREFORE, the parties hereby agree as follows:

DEFINITION OF TERMS

AERIE and B&L, therefore agree the terms defined in this section shall have the meanings stated as follows:

1.1 "ACT" means the United States Federal Food, Drug and Cosmetic Act, as amended, and the regulation promulgated thereunder.

1.2 "FDA" means the United States Food and Drug Administration or any successor entity thereto.

1.3 "cGMP" means current good manufacturing practices, as defined in the ACT.

1.4 "Label" or "Labeling" means all labels and other written, printed or graphic matter upon any container or packaging utilized with the Product(s) or any written material accompanying the Product(s).

1.5 "Applicable Laws" means all laws, ordinances, rules and regulations within the Territory applicable to the manufacturing of AERIE Active Pharmaceutical Ingredients (APIs) and the obligations of B&L or AERIE, as the context requires, including, without limitation, (i) all applicable federal, state, and local laws and regulations of each Territory; (ii) the U.S. Federal Food, Drug and Cosmetic Act, and (iii) the "cGMPs." Applicable Laws shall also include all laws, ordinances, rules, and regulations applicable in Territories added to this Agreement after the Effective Date of this Agreement, solely to the extent AERIE or its designee has provided written copies of such laws to B&L under this Agreement. Copies of all laws shall be in the English language.

1.6 "Regulatory Authority" shall mean the FDA and any other Regulatory Authority within a Territory involved in regulating any aspect of the development, manufacture, market approval, sale, distribution, packaging, or use of the AERIE Product(s).

1.7 "Territories" shall mean the United States of America, Canada and any other country, which the parties agree in writing to add to this Agreement.

1.8 "Confidential Information" means any information disclosed by either party to the other party hereunder which involves the trade secrets of the disclosing party and would reasonably be considered to be confidential. AERIE Confidential information shall include without limitation: (i) the structures,

formulations, product composition and processes, Investigators' Brochure, protocols, communications with the United States Food and Drug Administration (FDA) and all information contained in AERIE's Investigational Exemption for a New Drug (IND), (ii) all information relating to the Product and API, and all licenses, technology, processes and business plans relating to the Product and (iii) all notes, analyses, studies or other documents which contain or are based on the information or material described in (i) or (ii). Such information will be considered confidential under this agreement regardless of whether it is marked or otherwise indicated as confidential. B&L Confidential Information shall include without limitation: (x) all information owned by B&L and pertaining to B&L's manufacture of the Product, including all plans, programs, processes, equipment, apparatuses, and all licenses and technology owned by B&L and pertaining to the manufacture of the Product and (y) all notes, analyses, studies or other documents owned by B&L that contain or are based on the information or material described in (x), and in all events excluding subject matter owned by AERIE pursuant to Article 18.

1.9 "Commercial Year" means each consecutive twelve (12) month period commencing from the date of the first sale of commercial Product.

1.10 Firm Order" shall have the meaning set forth in Section 7.B.

1.11 "Master Batch Record" shall mean the master production and control records required by the FDA to be kept for the Product pursuant to 21 CFR §211.186

1.12 "Raw Materials" means bottles, tips, caps, Labeling, chemicals other than API, and other components needed to manufacture the Product in accordance with the Specifications.

1.13 Pharmaceutical Price Index" means that particular index within the U.S. Department of Labor's Producer Price Index - Commodities, which is categorized under the Group, "Chemicals and Allied Products," item "Pharmaceutical preparations" and having the Series ID of WPU0638.

1.14 Specifications" means the product requirements set forth in the Master Batch Record for the Product(s), as amended by the parties hereto during the Term of this Agreement, which may include but not be limited to, the specifications for Labeling, storage, chemical composition, physical characteristics, biological characteristics and quality control procedures for the Product(s).

1.15 "Facility" shall mean B&L facility located in Tampa, Florida.

1.16 The term Product(s) shall mean those Product(s) listed on Appendix C.

2. Term.

This Agreement shall become effective on the Effective Date and shall remain in effect until December 31, 2024 (the 'Expiration Date'), unless appropriate notice to terminate is provided per Section 18. Within one (1) year of the projected approval date of the NDA for each Product identified on Appendix C, AERIE shall contact B&L to discuss extending the Expiration Date for up to 2 years following the Expiration Date, or such longer period as the parties may agree, on terms and conditions mutually agreed to by the parties hereto.

3. Price.

A. Prices. The purchase price per unit of Product(s) to be paid by AERIE to B&L shall be in accordance with the terms of the price schedule set forth in Appendix A, which is attached hereto and incorporated herein by reference. Prices for Product(s) sold to AERIE during the Term are F.O.B, B&L, Tampa, Florida freight collect.

B . Price Increase. The purchase price per unit of Product shall remain fixed until the one (1) year anniversary of AERIE's receipt of written FDA approval for the Product(s). Thereafter, but no more than once during any Commercial Year, B&L may increase the prices for the Product(s), upon sixty (60) days prior written notice to AERIE, by an amount which is in proportion to, and not to exceed, the total percentage change in the Pharmaceutical Price Index over the twelve (12) month period preceding the effective date of such price increase. All changes in cost must be substantiated [***] but in any event any increase shall not exceed [***].

C . Payment. B&L will invoice AERIE for each order of Product(s) at its principal address upon shipment of the Product(s). Undisputed invoices shall be due and payable within forty-five (45) days of the date of the invoice. In the event that any undisputed invoice is not paid forty-five (45) days from the date of the invoice, AERIE agrees to pay a "late charge" on the unpaid delinquent balance at an interest rate of [***] per month, but in no event more than the maximum rate permitted by law.

4. Product Manufacture and Supply.

A . Manufacture and Supply B&L agrees to manufacture the Product(s) in Appendix C at its facility located at 8500 Hidden River Parkway, Tampa, Florida (or other locations as the parties mutually agree upon), in accordance with cGMPs, Applicable Laws, and B&L policies and procedures that do not conflict with any terms or conditions of this Agreement, and to meet the mutually agreed upon product specifications and test methods, respectively. During the Term of this Agreement and for a period of five (5) years thereafter, B&L agrees that it shall not manufacture or supply to any third party any product containing the AERIE proprietary compounds, specifically AR-13324. With respect to manufacture of Product(s) under this Agreement, B&L and AERIE will also enter into a separate Quality Agreement. If the terms of this Agreement and the Quality Agreement conflict, the terms of this Agreement shall control for the explicit purposes of Supply of Product(s).

B . Ingredients, Supplies and Packaging Materials. B&L agrees to supply at its expense all of the raw materials (excluding the active ingredient, AR-13324 which will be supplied by AERIE), in accordance with the Specifications for the Product that are necessary to manufacture and supply the Product(s). B&L agrees to supply at its expense all of the packaging materials necessary to manufacture and supply the Product(s) as set forth in Appendix C.

C . Testing and Inspection of Materials. B&L shall analyze and evaluate all materials to confirm that they satisfy the mutually agreed upon material specifications. The cost of all such analyses and evaluations shall be borne by B&L. AERIE shall be liable for all obsolete materials due to forecasting errors, FDA changes or changes required by the customer.

D . Testing and Inspection of Product. B&L shall conduct all quality control and other tests required to ensure that the Product(s) as manufactured meet the mutually agreed upon product specifications. The cost of all such analyses and evaluations shall be borne by B&L. During the commercial phase of the project, B&L shall conduct stability testing on one (1) lot for each fill size of the Product(s) annually, and shall provide AERIE with on-going stability reports. The cost of all such analyses and evaluations shall be borne by B&L. B&L will place each of the Validation Batches into AERIE defined stability studies and will provide interim stability reports to AERIE, including statistical analyses where appropriate, as required by cGMP regulations. B&L will perform annual product reviews of the Product(s) and will promptly provide AERIE with the information from the annual product reviews as required by the FDA, for AERIE's inclusion in annual reports to the FDA. B&L shall provide AERIE, at no additional cost, with all regulatory support and documentation required by the FDA to support the NDA for the Product(s).

E. B&L Obligation to Supply. B&L shall supply AERIE such quantities of Product(s) ordered by AERIE pursuant to any Firm Order. Furthermore, B&L agrees to reserve manufacturing capacity sufficient to supply AERIE with at least such quantities of Product that AERIE is required to purchase as an Annual Minimum pursuant to Section 7.A.

5. Product Changes.

A. Changes by AERIE. If AERIE at any time requests a change to a Product and B&L agrees such change is reasonable with regard to the manufacture of a Product, including without limitation any changes to the raw materials or packaging materials, provided such change does not impose material adverse impact on B&L's manufacture of the Product (i) such change shall be incorporated into the Product Specifications, (ii) B&L shall adjust the price of the Product set forth in Appendix C, if necessary, to reflect increased costs of such change, and (iii) from the date of such adjustment, AERIE shall pay B&L the costs associated with such change, including, for any additional development work, a reasonable charge based upon B&L's then-prevailing research and development rates, (iv) AERIE shall be liable for all obsolete material resulting from the implementation of this change up to certain inventory levels for each raw material and packaging material to be mutually determined by the parties, provided that AERIE's liability under this Section shall only apply to the extent such materials cannot reasonably be allocated to manufacturing other products.

B. Changes by B&L. B&L agrees that any changes developed by B&L which may be incorporated into the manufacture of a Product shall require the written approval of AERIE prior to such incorporation. At the time of such incorporation and regulatory approval, if required, such changes shall become part of the Product Specifications.

C. Changes by Regulatory Authorities. If B&L is required by a regulatory authority to perform validation studies for purposes of validating new manufacturing procedures or new raw material and finished product assay procedures with respect to a Product in order to continue to engage in the manufacture of the Product for AERIE (and AERIE, after notice that such validation studies are required, and upon notice to AERIE of an estimate of all related validation study expenses, desires B&L to continue manufacturing the Product), all direct expenses borne by B&L in the conduct of any such validation study shall be reimbursed to B&L by AERIE as incurred.

D. Regulatory Responsibility. AERIE will responsible for all regulatory submissions and correspondence with the FDA related to the Product. B&L will be responsible for providing AERIE, as needed, with documentation typically included in the Chemistry, Manufacturing & Controls (CMC) section of regulatory submissions, for the preparation of regulatory submissions.

6. Inspections and Manufacturing Compliance

A. Inspections by AERIE. Representatives from AERIE shall be permitted access, at reasonable times during B&L's normal business hours and upon reasonable advance notice to B&L, to visit, in the company of a B&L representative, the manufacturing and/or packaging facility or facilities where AERIE's Product will be or are being manufactured and/or packaged for the purposes of auditing B&L's processes to ensure that AERIE's Product are being manufactured, packaged, stored and handled in accordance with the mutually agreed upon product specifications, cGMP's and applicable laws, rules and regulations.

B. Inspection by Regulatory Agencies. Each party shall promptly notify the other party upon being contacted by the FDA or other Regulatory Agency for any purpose or reason directly relating to the manufacture of the Product, including without limitation, any announced or unannounced FDA or other Regulatory Agency inspection. At B&L's request, AERIE will provide B&L with copies of all correspondence

and documentation provided to the FDA or other Regulatory Agency which relate to B&L's scale-up manufacturing activities. At AERIE's request, B&L will provide AERIE with copies of all correspondence and documentation provided to the FDA or other Regulatory Agency which relate to the Product or the manufacture of the Product. B&L shall permit one or more AERIE representative(s) to be present at B&L's facilities during any such inspection directly relating to manufacture of the Product. Duly authorized representative(s) from the FDA or other Regulatory Agency or other applicable regulatory agencies shall be permitted access, at reasonable times during B&L's normal business hours, to visit, in the company of a B&L representative, the manufacturing and/or packaging facility or facilities where the Product will be or is being manufactured and/or packaged for the purposes of auditing B&L's processes to ensure that the Product is being manufactured, packaged, stored and handled in accordance with the Specifications, Applicable Laws, and B&L policies and procedures to the extent that such policies and procedures do not conflict with any terms or conditions of this Agreement or with Applicable Laws.. B&L shall, at its own expense, promptly respond to all inquiries and questions resulting from such visits and inspections and, at its own expense, promptly correct any deficiencies reported as a result of such inspections. B&L shall immediately notify AERIE if an authorized agent of the FDA or other Regulatory Agency visits B&L's manufacturing facility for the purposes of inspecting the manufacturing and testing of the Products.

7. Ordering and Rolling Forecasts

A. Annual Minimum. Beginning on the first day of the first full calendar year after the commercial launch of the Product, AERIE shall purchase from B&L a minimum annual amount of Product as set forth in Appendix B attached hereto (the "Annual Minimum"). If AERIE does not purchase such Annual Minimum during any calendar year thereafter, AERIE shall pay to B&L [***] of the difference between (i) the total amount AERIE would have paid to B&L if the Annual Minimum had been fulfilled and (ii) the total amount actually paid to B&L during the applicable calendar year. After AERIE's obligation to purchase the Annual Minimum commences pursuant to this Section 7 A., the parties shall meet at least once annually to discuss in good faith reasonable adjustments to the Annual Minimum taking into consideration the market conditions for the Product. Any such adjustment to the Annual Minimum shall be mutually agreed upon in writing and shall be subject to this Agreement.

B. Monthly Forecast. Beginning not less than one hundred and twenty (120) days after AERIE submits the NDA for the Product to the FDA, and thereafter on the first day of each month, AERIE will deliver to B&L a rolling forecast of its estimated need for Product for the following twelve (12) month period (each, a "Rolling Forecast"). The quantities of Product to be delivered in the first [***] days of each Rolling Forecast shall be a binding, firm order for Product ("Firm Order") and the remainder of the Rolling Forecast shall be for advisory purposes only and non-binding.

C. Purchase Orders. AERIE will initiate an order for Product by sending to B&L a purchase order for Product at least [***] days prior to the requested delivery date for the Product covered by the purchase order ("Purchase Order"). If there is a conflict between the terms of this Agreement and any Purchase Order, the terms of this Agreement will control. Purchase Orders should be submitted for ordered quantities of Product in full batch size; provided that B&L agrees that such batch size shall include, but not be limited to, a [***] batch size for AR-13324 Ophthalmic Solution, 0.02% and/or a [***] batch size PG-324 Ophthalmic Solution, 0.02%. AERIE may submit Purchase Orders for Product in excess of the quantities specified in the rolling forecasts. B&L shall use its commercially reasonable efforts to accept and fill such orders consistent with efforts used by B&L to fill excess orders for other customers of contract manufactured Product. B&L will deliver to AERIE a written order acknowledgment form within thirty (30) days of B&L's receipt of each rolling forecast, confirming the quantities of which B&L shall exercise commercially reasonable efforts its ability to fill. Only those amounts of such orders in excess of the quantities of AERIE's Firm Order, confirmed by B&L in its written order acknowledgment, shall be binding on B&L.

D . Orders Other Than Through Rolling Forecasts. Subject to the provisions of 7.A. above, AERIE may submit additional purchase orders for Product in excess of the quantities specified in the rolling forecasts. B&L shall use its commercially reasonable efforts to accept and fill such orders consistent with efforts used by B&L to fill excess orders for other customers of contract manufactured product.

E. Acceptance by Order Acknowledgment. B&L will deliver to AERIE a written order acknowledgment form within seven (7) business days of B&L's receipt of a purchase order, confirming the quantities, price and delivery date of which B&L shall fill. Only those quantities of AERIE's firm order confirmed by B&L in its written order acknowledgment shall be binding on B&L. In the event B&L is unable to supply Product(s), such volume of product not supplied shall be deducted from the Minimum Annual Quantity.

F. Failure to Supply. Notwithstanding any other provision in this Agreement, if B&L fails to supply to AERIE at least [***] of the quantity of Product ordered pursuant to a Firm Order during any [***], AERIE's obligations to meet the Purchase Requirement and Annual Minimum shall terminate. At any point AERIE may choose to purchase any quantity of Product from any third party. In no way do the terms of this agreement limit either AERIE or B&L from any other business each may choose to pursue subject to the limitations set forth in Section 4A.

8. Inventory & Delivery.

Unless otherwise agreed in writing by the parties, B&L will ship the Product F.O.B. B&L's loading dock at its facility in Tampa, Florida (the "F.O.B. Point"), to arrive at AERIE's designated destination point within ninety (90) days of the date a Purchase Order is received by B&L. At the request and expense of AERIE, B&L shall ship the Product ordered by AERIE by such carrier or carriers as AERIE may designate. Such shipping instructions shall be submitted by AERIE to B&L. Unless otherwise agreed by the parties hereto, all risk of loss or damage to the Product from any cause whatsoever shall be borne by AERIE after delivery to AERIE or AERIE's carrier at the F.O.B. Point. B&L shall not be obligated to maintain an inventory of the Product(s).

9. Packaging and Labeling.

During the term of this Agreement, B&L agrees to manufacture, and package the Product(s) in accordance with mutually agreed upon component specifications, and approved or mutual agreed upon material suppliers incorporating any necessary approvals in accordance with Section 10.B, and will take into account cGMPs and regulatory requirements. Thereafter, upon reasonable written notice, B&L will make, at AERIE's expense, any improvements or alterations to packaging or labeling as requested by AERIE and approved by B&L, and shall implement such alterations or improvements at the earliest opportunity. Should any components be rendered obsolete by artwork changes, AERIE shall reimburse B&L at actual procurement cost and destruction fee for any components affected by such changes purchased against AERIE's requirements because of the long lead time to obtain certain components from suppliers. B&L may have to purchase, or commit to purchase certain components further in advance than the period of time covered by the purchase order, and in such case AERIE agrees to reimburse B&L at actual cost for such components, so long as AERIE has agreed in writing to such purchases or commitments to purchase in advance.

10. Warranties; Acceptance and Claims.

A . Limited Product Warranty. B&L represents and warrants to AERIE that (i) at the time of delivery, the Product will be manufactured and supplied hereunder to conform to cGMPs, meet mutually agreed upon product specifications as modified from time to time, and will meet the requirements of the Act, and other applicable laws and regulations, (ii) all Product supplied by B&L under this Agreement shall

be merchantable, free from defects and shall not be adulterated or misbranded within the meaning of the ACT, as amended, (iii) B&L shall manufacture the Product in accordance with the Specifications of this Agreement and the Quality Agreement and in a facility that complies with all Applicable Laws, and is covered by all necessary registrations and licenses, and B&L shall maintain all such registrations and licenses during the Term hereof, (iv) when applicable to the work performed by B&L, B&L will adhere to Applicable Laws, (v) B&L shall store all API and Product in a secure facility and in accordance with the Specifications and all Applicable Laws, and (vi) B&L shall perform all services to accepted industry standard.. THE FOREGOING WARRANTY IS EXCLUSIVE AND IN LIEU OF ALL OTHER WARRANTIES EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. EXCEPT WHERE B&L COMMITS A WILLFUL, GROSSLY NEGLIGENT OR INTENTIONAL BREACH OF ANY MATERIAL PROVISION UNDER THIS AGREEMENT, B&L SHALL NOT BE RESPONSIBLE OR LIABLE UNDER ANY PROVISION OF THIS AGREEMENT OR UNDER ANY CONTRACT, NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL OR EQUITABLE THEORY FOR ANY RESULTANT INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES INCLUDING, BUT NOT LIMITED TO LOSS OF REVENUES AND LOSS OF PROFITS FROM B&L'S FAILURE TO PROVIDE THE PRODUCT TO AERIE OR OTHERWISE.

B . Notification of Defects. All Products shall be received subject to AERIE's inspection and may be rejected if any such Product fails to be in the condition warranted hereunder. AERIE shall be deemed to have accepted each order of Product if B&L does not receive written notice to the contrary as set forth in this Paragraph 10.B. AERIE shall notify B&L in writing within 60 days after delivery to AERIE or its customers of any non-conforming Product containing obvious defects discoverable without affecting the integrity of the Product's packaging and within 120 days of its discovery of any latent defects, or AERIE's rights as to such obvious or latent non-conformance shall be waived by AERIE. At B&L's request, AERIE shall promptly supply either some of the Product(s), which are allegedly defective or some other evidence of deficiency which B&L shall specify. In the event of any dispute between B&L and AERIE as to whether any of the Product conform to the warranties hereunder, a sample of the units in dispute shall be sent by AERIE and B&L to a testing laboratory mutually agreed to by B&L and AERIE whose findings will be binding on the parties except in cases of gross and manifest error. The cost of such testing and Product shall be borne by the party against which the determination was made.

C . Warranty Limited to AERIE. AERIE shall deliver to its customers its own warranty concerning the Product. AERIE's warranty to its customers shall state conspicuously that the same is the sole and exclusive warranty to customers.

D . Returns. B&L shall accept for return and replacement any Product manufactured and supplied to AERIE under this Agreement which at the time of delivery does not conform with the warranty set forth above and for which proper notice has been given, provided AERIE notifies B&L in a timely fashion and seeks a prior shipping authorization from B&L. B&L shall replace, at B&L's cost, each nonconforming shipment of Product, or the nonconforming portion thereof, with conforming Product as soon as reasonably practicable after receipt of notice of rejection thereof, and in any event shall do so within ninety (90) days after receipt of notice of rejection thereof. All returns of Product with defects shall be in the original manufactured condition to the extent possible. B&L will pay reasonable return freight and shipping charges, AERIE shall assume the risk of loss in transit associated with such returns.

E . Indemnification of AERIE. B&L shall indemnify, defend, save and hold AERIE and each of its Affiliates, officers, directors, employees and agents harmless from and against any and all liabilities, losses, damages, costs, or expenses, including without limitation reasonable attorney's fees and disbursements (Loss or Losses) resulting from, or arising out of (a) any material breach of any warranty

hereunder or material non-fulfillment or non-performance by B&L of any agreement, covenant or obligation of B&L under this Agreement; (b) any actual or alleged defect in any Product manufactured and delivered to AERIE hereunder arising out of B&L's failure to manufacture Product in accordance with the terms of this Agreement; (c) FDA enforcement action, inspection or Product recalls or market withdrawals resulting from B&L's failure to manufacture the Product in accordance with the terms or requirements of this Agreement, and (d) any bodily injury arising out of B&L's failure to manufacture Product in accordance with the terms of this Agreement.

F. Insurance. Each of the parties shall maintain Commercial Liability Insurance, during the term of this Agreement, including contractual and product liability, in amounts of not less than $[***] per occurrence and $[***] annual aggregate naming the other party as an additional insured. The parties shall exert their best efforts to obtain such insurance on a date of occurrence basis (not a date of claim basis) and all insurance companies providing such insurance shall have an A.M. Best rating of A- or better. Upon request, either party shall submit a certificate of insurance evidencing such insurance to the other party, and providing that it may not be canceled or reduced in amount without thirty (30) days' prior notification to the other party.

G . Manufacture. For purposes of this Article 10 above, Section 5.E. and Articles 11, 12 and 18 below, "manufacture" shall include without limitation the manufacturing process for the product, bulk solution manufacturing, filling, filtering, inspection, testing, Labeling and packaging of Product.

11. AERIE's Warranties and Obligations

A. Indemnification of B&L. AERIE shall indemnify, defend, save and hold B&L and each of its Affiliates, officers, directors, employees and agents harmless from and against Loss or Losses resulting from, or arising out of (a) any material breach of any warranty hereunder or material non-fulfillment or non-performance by AERIE of any agreement, covenant or obligation of AERIE under this Agreement; (b) any bodily injury arising as a result of a negligent act or omission of AERIE; (c) FDA enforcement action, inspections or Product recalls or market withdrawals except where arising out of or resulting from B&L's failure to manufacture Product in accordance with the terms of this Agreement; (d) AERIE's acts relating to the promotion, marketing and/or distribution of Product, except where arising out of or resulting from B&L's failure to manufacture Product in accordance with the terms of this Agreement; (e)any actual or alleged infringement or violation of any patent, trade secret or proprietary right governing the Product and (f)any actual or alleged defect in the Product(s) caused by the intentional or negligent acts or omissions of AERIE including, without limitation, detects in the specifications, formulations, packaging, labeling, designs or other instructions regarding the Product(s) as provided by AERIE to B&L.

B . Indemnification of AERIE. B&L shall indemnify, defend, save and hold AERIE and each of its Affiliates, officers, directors, employees and agents harmless from and against Loss or Losses resulting from, or arising out of (a)any material breach of any warranty hereunder or material non-fulfillment or non-performance by B&L of any agreement, covenant or obligation of B&L under this Agreement; (b) any bodily injury arising, as a result of a negligent act or omission of B&L; (c) FDA enforcement action, inspections or Product recalls or market withdrawals except where arising out of or resulting from AERIE's failure to distribute Product in accordance with the terms of this Agreement; (d) B&L's failure to manufacture Product in accordance with the terms of this Agreement; (e)any actual or alleged infringement or violation of any patent right governing the Product and (f)any actual or alleged defect in the Product(s) caused by the intentional or negligent acts or omissions of B&L including, without limitation, defects in the specifications, formulations, packaging, labeling, designs or other instructions regarding the Product(s) as administered by B&L in a form other than that provided by AERIE.

C. Registration. Any FDA or governmental approvals necessary for sale of the Product(s) shall be the responsibility of AERIE. AERIE shall use its best efforts to maintain all necessary FDA or governmental approvals for sale of the Product(s) and that the packaging and labeling of such Product(s) shall comply with all applicable FDA or governmental and rules and regulations.

12. Indemnification Procedures

A. Upon the occurrence of an event, which requires indemnification under this Agreement, the Indemnified Party shall give prompt written notice to the Indemnifying Party providing reasonable details of the nature of the event and basis of the indemnity claim. The Indemnifying Party shall then have the right, at its expense and with counsel of its choice, to defend, contest, or otherwise protect against any such Action. The Indemnified Party shall also have the right, but not the obligation, to participate at its own expense in the defense thereof with counsel of its choice. The Indemnified Party shall cooperate to the extent reasonably necessary to assist the Indemnifying Party in defending, contesting or otherwise protesting against any such Action provided that the reasonable cost in doing so shall be paid by the Indemnifying Party. If the Indemnifying Party fails within thirty (30) days after receipt of such notice (a) to notify the Indemnified Party of its intent to defend, or (b) to defend, contest, or otherwise protect against such suit, action, investigation, claim or proceeding, or fails to diligently continue to provide such defense after undertaking to do so, the Indemnified Party shall have the right, upon ten (10) days' prior written notice to the Indemnifying party, to defend, settle and satisfy any such suit, action, claim, investigation or proceeding and recover the costs of the same from the Indemnifying Party.

B. Survival. The indemnification contained herein shall survive any termination of this Agreement.

13. Product Recalls

If B&L meets all mutually agreed upon release specifications it will have no liability for recall expenses. In the event that such recall results from the breach by B&L of its warranties under this Agreement, defective manufacture by B&L or other actions of B&L, B&L shall be responsible for the reasonable expenses of the recall to which B&L will reimburse AERIE either AERIE in cash or by replacement of product as may be agreed and reasonable related expense and administrative fees. In the event the recall results from the actions of AERIE (not including the recall order), AERIE shall be responsible for the expenses of the recall and any costs associated with the distribution of replacement Product(s).

14. Product Complaints

Product Complaints to be received by AERIE and at its own expense, AERIE will promptly respond to all reasonable inquiries from customers pertaining to Product Complaints. Notwithstanding the generality of the foregoing, B&L will, at AERIE's expense, conduct all appropriate investigations required under FDA regulations where allegations pertaining to product quality are explicitly or implicitly raised in a Product Complaint.

15. Confidentiality.

Except as otherwise expressly permitted herein (including Article 16), each party hereto agrees to keep all Confidential Information of the other party furnished under this Agreement confidential within its respective company and agrees not to disclose same to third parties without the prior written consent of the other party hereto, except as required by law or to the extent such information (i) was already in the rightful possession of a party prior to its receipt from the other party as evidenced by written records, (ii) becomes generally known to the public through legal means and also otherwise than as a result of the breach of this Article 15, (iii) is disclosed by a third party having no obligation to keep such information confidential.

During the Term, of this Agreement, both AERIE and B&L agree to keep the subject matter of this Agreement confidential and not disclose it to any third party except as required by law, in which instance timely notice shall be given to the party not making the disclosure, or except as necessary under this Agreement or as mutually agreed to. The receiving party will, upon the written request of the disclosing party after any expiration or termination of this Agreement, promptly destroy or return to the disclosing party all Confidential Information (including notes, writings and other material developed therefrom) and all copies thereof and retain none for its files, except that each party may retain one (1) copy for its legal files. The return or retention of such information will not relieve the receiving party of its continuing obligation of confidentiality hereunder.

16. Patents and Trademarks

AERIE further warrants that manufacture or sale of the Product(s) to AERIE will not infringe any third party's proprietary rights and that AERIE will indemnify, defend and hold B&L harmless from any damage from any and all infringement claims relating to the Product(s) and any trademarks, trade names, proprietary right, trade name, trademark, service mark or copyright used by AERIE in connection with the Product(s). B&L, excluding technology, processes and instructions provided by AERIE, further warrants that it will not infringe any third party's patent or proprietary rights in the manufacture of the Products. B&L acknowledges that AERIE owns or possesses certain AERIE Confidential Information, inventions, technologies, processes, know-how, trade secrets, improvements, other intellectual property and other assets relating to the Product, which have been independently developed or licensed by AERIE (collectively "AERIE Technology"). AERIE shall own, and B&L hereby assigns and agrees to assign to AERIE, all inventions, developments, or improvements to the AERIE Technology, whether or not patentable, that arise from, or are based upon the Product, its manufacture or AERIE Technology, together with any analytical methods for testing the Product, modifications to the Product formulation or Product container, methods of mixing the Product solution and all data (e.g., label qualification data) incorporated into FDA filings (collectively, "AERIE Developments"). AERIE acknowledges that B&L owns or possesses certain B&L Confidential Information, inventions, technologies, processes, know-how, trade secrets, improvements, other intellectual property and other assets relating to B&L's manufacturing capabilities, which have been independently developed or licensed by B&L (collectively "B&L Technology"). B&L shall own, and AERIE hereby assigns and agrees to assign to B&L, all inventions, developments, or improvements made solely to the B&L Technology.

17. Public Announcements. Neither AERIE nor B&L shall use the name of the other firm in any publicity or advertising and may not issue a press release, public announcement or otherwise publicize or disclose the existence of this Agreement, any information related to this Agreement or the terms or conditions hereof, without obtaining the other party's prior written approval and consent, except as required by law.

18. Termination.

A. For Default. Without prejudice to any other legal or equitable remedy or remedies either party may have, this Agreement may be canceled by either party for breach of any material provision of this Agreement, or for a pattern or practice of repeated non-material breaches of provisions of this Agreement, if such cause remains after the giving of not less than [***] days prior written notice ([***] days in the case of B&L's failure to deliver) to the breaching party of the existence of such cause to terminate this Agreement. B&L will have the right to terminate if volumes fall below the minimum annual volumes for two consecutive years and AERIE will pay for all existing inventory of components to cover Purchase Orders consistent with the AERIE forecast. However, unless there is a default by AERIE for lack of payment, AERIE shall have the option of having B&L produce Product(s) for which B&L has already committed to or procured raw materials or components.

B. For Insolvency. Without prejudice to any legal or equitable remedy or remedies either party may have, this Agreement may be immediately terminated at the option of a party, immediately upon written notice, in the event of the insolvency of the other party, however such insolvency may be evidenced.

C. For Failure to Meet Timelines. Without prejudice to any legal or equitable remedy or remedies either party may have, this Agreement may be immediately terminated at the option of AERIE, immediately upon written notice provided to B&L to improve within [***] days. In the event B&L does not achieve the mutually agreed project milestone within [***] days after the deadline specified, or any mutually agreed upon change, unless such failure is due to an act or omission of AERIE than AERIE may immediately terminate this Agreement.

D. Company Strategy and Capacity Changes. This Agreement may be terminated at the option of B&L, upon [***] months prior written notice to AERIE, based on changes in B&L strategy or manufacturing capacity constraints; provided, however that such notice shall not to be given prior to the NDA approval(s) of Product(s). In the event of such termination by B&L, B&L shall, in cooperation with AERIE, transfer Product manufacturing technology to a third party contract manufacturer. All costs and expenses associated with the transfer of Product manufacturing technology to a third party shall be borne solely by B&L. This Agreement may be terminated at the option of AERIE, upon [***] months prior written notice to B&L, based on changes in AERIE's strategy; provided, however, that such notice shall not to be given prior to the NDA approval(s) of Product(s). In the event of a termination by AERIE, AERIE shall, in cooperation with B&L, transfer Product manufacturing technology to a third party contract manufacturer. All costs and expenses associated with the transfer of Product manufacturing technology to a third party shall be borne solely by AERIE.

E. Effect of Termination. Within [***] days following the effective date of termination of this Agreement, B&L will provide AERIE with a detailed accounting of (i) the amount of raw materials, components and printed materials held by B&L for manufacturing into Product under this Agreement, (ii) the amount of Product in the process of being manufactured by B&L for AERIE under this Agreement and (iii) the amount of finished Product then held in inventory by B&L (including Product which has not been subjected to B&L's quality assurance testing procedures) under this Agreement. Unless otherwise mutually agreed by the parties prior to the effective date of termination or as otherwise set forth in this Agreement, B&L shall deliver to AERIE or to such other person or place as AERIE shall direct in writing, at AERIE'S sole cost and expense (except at B&L's sole cost and expense, if AERIE terminated the Agreement for cause), all raw materials and Product described above and AERIE shall pay B&L, within 30 days of such delivery, the Product Price owing to B&L for finished Product, Manufacturing Costs for work in process, and B&L's verifiable out-of-pocket costs incurred in connection with unused inventories of packaging components and raw materials. No termination of this Agreement shall have any effect on, or relieve either party from, the obligation to make any payment or perform any act arising prior to the effective date of termination. However B&L and AERIE shall work together in an effort to consume all remaining raw materials, components and Product(s) in process for Product(s) to be delivered to AERIE. But B&L shall have no obligation to complete any further processing of Product(s) if AERIE is in default due to lack of payment. In addition, AERIE shall have no responsibility for any raw materials or components committed to or procured by B&L in excess of that required to fill open purchase orders submitted by AERIE. Upon the expiration of this Agreement or its earlier termination, B&L will transfer all Product-manufacturing technology and information to AERIE's designated manufacturer and provide full cooperation and assistance to assure smooth transition. AERIE will reimburse B&L for B&L's reasonable costs and expenses incurred in providing the foregoing services.

19. Force Majeure and Allocation.

The obligations of either party hereunder are contingent upon, and B&L shall not be liable for, acts of God, war, riots, floods, fires, storms, strikes, catastrophes or any other acts of force majeure, FDA or governmental restrictions, prohibitions, regulations, and requisitions, the acts of suppliers or common carriers, or other interferences beyond the reasonable control of such party to the extent that the same prevent or delay the performance of the obligations herein contained, always provided that such party shall use its best efforts to fulfill the obligations under this Agreement and provide the other party with prompt notice of the occurrence of any such event of force majeure.

20. Assignment or Transfer of Rights.

This Agreement will inure to the benefit of and be binding upon each of the parties hereto and their respective successors and assigns. Neither this Agreement, nor any of the rights and obligations under this Agreement, may be assigned, transferred or otherwise disposed of by either party without the prior written consent of the other party, unless such assignment, transfer or disposition is to a successor to all or substantially all of the businesses and assets of such party pertaining to the subject matter hereof. Any assignment made in contravention of the foregoing shall be void and of no effect.

21. Notices.

All notices or communications required or permitted hereby shall be sent to the respective addresses set forth below by overnight delivery, telegram, telex, telefax, or registered or certified mail, return receipt requested and shall be effective upon delivery.

As to B&L: Bausch & Lomb Incorporated
8500 Hidden River Parkway
Tampa, Florida 33637
Attention: Director of Plant Operations

With a copy to: Valeant Pharmaceuticals North America LLC
400 Somerset Blvd, Bridgewater, NJ 08807
Attn: General Counsel

As to AERIE: AERIE Pharmaceuticals, Inc.
135 US Highway 206, Suite 15, Bedminster, NJ 07921

With a copy to: AERIE Pharmaceuticals, Inc.
7020 Kit Creek Road, Suite 720
Morrisville, North Carolina 27709
Attention: Ramesh Krishnamoorthy
Vice-President, Manufacturing

The address to which notice to either party shall be sent may be changed by such party by written notice to the other party.

22. Order of Preference.

All sales by B&L to AERIE of Product(s) shall be subject to the provisions of this Agreement and any provision of any purchase order placed by AERIE or order acknowledgment sent by B&L which is inconsistent herewith or in addition hereto shall be null and void unless accepted by the receiving party in writing and signed by one of its authorized representatives.

23. Applicable Law.

This Agreement shall be governed and construed in accordance with the laws of the State of New Jersey without reference to its choice-of-law rules.

24. Survival.

Those provisions which, by their meaning and intent, have applicability beyond the term of this Agreement shall survive the termination of this Agreement.

25. Entire Agreement.

This is the entire Agreement between the parties hereto regarding the Product(s) and supersedes any prior agreements made between the parties regarding the Product(s). No prior statement, representation, promise or agreement, written or verbal, shall be of any force to vary, expand or diminish the provisions hereof. The Agreement may be modified or amended only by an instrument in writing, executed by both parties. No waiver or other failure to exercise any right under, or default or extension of time for performance under, any provision of this Agreement will affect the right of any party to exercise any subsequent right under or otherwise enforce said provision or any other provision hereof or to exercise any right or remedy in the event of any other default, whether or not similar. This Agreement may be executed in two counterparts, each of which shall be deemed an original, and all of which together, shall constitute one and the same instrument.

26. Improvement Activities. B&L will cooperate with AERIE in reviewing a combination of improvement activities that can be measured including cost improvements, line speed increases and change-over time reductions at B&L's plant(s), lead time improvements, and others. Implementation of any such improvement activities that will impact the approved validated state of the AERIE process for manufacturing the Product(s) will only be made pursuant to mutual written agreement of B&L and AERIE. In good faith AERIE and B&L will work together in reviewing continuous improvement projects pursuant to this Section 26.

27. Significant Product Volumes Increase. If product volumes increase significantly and capital investment is required to meet the new demand, B&L and AERIE will mutually agree in a good faith the capital investment and payment terms and conditions for new equipment and validation activities.

28. Service Level & On Time Shipping Criteria.

A. Customer Service levels must be maintained at a [***] level and on-time shipment rating must be maintained at [***] level. These metrics will be staged in over a [***] month period, after initial PO issuance. Both B&L and AERIE will need to collaborate/agree on Service Level and on-time measurement procedures. B&L shall not be liable for events of force majeure described in Section 18 above that affect the customer service levels.

B. If B&L has [***] months below either metric of customer service level or on-time shipment rating in a fixed [***] month window (and other [***] months are at minimum or better) that [***] month period is considered acceptable. If [***] months out of a [***] month window are below either metric but the average is at or above metric, that period is considered acceptable. If the average is below metric, then the period is considered unacceptable. If there are [***] consecutive [***] month periods that are unacceptable, AERIE would then have the option to move a percentage of all requirements to an alternative manufacturer. Should a [***] month period (consecutive period) be acceptable, then the percentage moved (of requirements), at AERIE discretion, would remain with an alternate manufacturer. Should the [***] month period be unacceptable, AERIE has the option, at its discretion, to move [***]% of requirements to

an alternate manufacturer which may result in termination of this contract. Should the [***] month periods be acceptable, after the [***] unacceptable [***] month periods, than AERIE would revert to supply of the forecasted requirements per Section 7B from B&L.

C. Should B&L perform at the minimum or better, Service Level and on-time shipment Levels, they will continue to supply AERIE's forecasted requirements per Section 7B for items listed in Appendix C.

D. In addition to the forecasted requirements per Section 7B and specified in Section 7D, AERIE will provide minimally an updated forecast for a [***] month period on the anniversary date of the effective date of this agreement until the NDA is submitted for the Products; following the submission of the NDA for the Products, AERIE will minimally provide an updated forecast for a [***] month period every [***] months from the submission date of the NDA until the approval of the NDA. This information will be used by B&L to assess and comply with the Service Level and On-time shipping criteria described above in Section 28 A and B.

E. B&L upon written request from AERIE will provide annually an estimate of available capacity to manufacture AERIE's Products for the following [***] years. This estimate is non-binding and may be revised following AERIE's forecasts. Both B&L and AERIE will make a good faith effort to review and revise the Service Level and On-time shipping criteria based on this capacity assessment against the updated forecasted requirements.

IN WITNESS WHEREOF, the parties have hereunto set forth their signatures as of the date set forth above.

BAUSCH & LOMB INCORPORATED		**AERIE PHARMACEUTICALS, INC.**	
By:	**/s/ Ivan Cartagena**	**By:**	**/s/ Tom Mitro**
Title:	**Executive Director Plant Operations**	**Title:**	**President and COO**

APPENDIX A

PRICE SCHEDULE

Product	Unit Price
AR-13324 Ophthalmic Solution, 0.02% - NLT 2.5 mL	$[***]
AR-13324 Ophthalmic Solution, 0.02% - 1 mL ('Professional Sample')	$[***]
PG-324 Ophthalmic Solution, 0.02% - NLT 2.5 mL	$[***]
PG-324 Ophthalmic Solution, 0.02% - 1 mL ('Professional Sample')	$[***]

Note: The quoted prices are based upon estimated standards of 2015 and may be revised on the actual year of commercialization of each Product, based on the price increase provisions as outlined in Section 3.B. of this document.

Note: The quoted price(s) for PG-324 Ophthalmic Solution, 0.02% are based on the current costing of the latanoprost sourced by B&L; this may be revised in the event Aerie would qualify another source of latanoprost with a lower cost.

APPENDIX B

Annual Minimums

Product: AR-13324 Ophthalmic Solution, 0.02%

Production Year Starting	**Annual Minimum (number of units)**
2017	[***]
2018	[***]
2019	[***]
2020	[***]

Note: The annual minimums may be revised following the NDA approval of AR-13324 Ophthalmic Solution, 0.02% product and/or on an annual basis as outlined in Section 7A.

Product: PG-324 Ophthalmic Solution, 0.02%

Production Year Starting	**Annual Minimum (number of units)**
2018	[***]
2019	[***]
2020	[***]
2021	[***]

Note: The annual minimums may be revised following the NDA approval of PG-324 Ophthalmic Solution, 0.02% and/or on an annual basis as outlined in Section 7A.

APPENDIX C

Product	Batch Size	Units per batch
AR-13324 Ophthalmic Solution, 0.02%	[***] L	approx.. [***] units of 1 mL fill size per [***] L batch approx.. [***] units of NLT 2.5 mL size per [***] L batch

Note: AR-13324 Ophthalmic Solution, 0.02% (also known as Rhopressa™) will be manufactured minimally in two different fill sizes, namely No Less Than 2.5 mL and approximately 1 mL.

PG-324 Ophthalmic Solution, 0.02%	[***] L	approx.. [***] units of 1 mL fill size per [***] L batch approx.. [***] units of NLT 2.5 mL size per [***] L batch

Note: PG-324 Ophthalmic Solution, 0.02% (also known as Roclatan™) will be manufactured minimally in two different fill sizes, namely No Less Than 2.5 mL and approximately 1 mL.

In this document, "[***]" indicates that confidential materials have been redacted from this document and filed separately with the Securities and Exchange Commission.

Exhibit 10.5

FIRST AMENDMENT
TO
CONTRACT MANUFACTURING SUPPLY AGREEMENT

This First Amendment to Contract Manufacturing Supply Agreement ("Amendment") is entered into as of this 31 day of May, 2018 (the "Amendment Effective Date") by and between **Bausch & Lomb Incorporated,** having a place of business located at 8500 Hidden River Parkway, Tampa, Florida 33637 ("B+L"), Aerie Pharmaceuticals. Inc., having a place of business located at 135 US Highway 206, Suite 15, Bedminster, NJ 07921 ("Aerie") and Aerie Distribution Incorporated, a Delaware Corporation having its principal place of business at 4301 Emperor Boulevard, Suite 400B, Durham, North Carolina 27703 ("Aerie Distribution").

Whereas, B+L and Aerie entered into a certain Contract Manufacturing Supply Agreement dated December 9, 2014 whereby Aerie engaged B+L to manufacture and supply certain Products (as defined therein) and B+L agreed to manufacture and supply such Products (the "Agreement"); and

Whereas, Aerie authorized Distribution to develop, manufacture, market, advertise, offer to sell, sell distribute or otherwise commercialize AR-13324 (Rhopressa™) and PG-324 (Rocklatan™); and

Whereas, to align with the terms of the foregoing, and considering the pending launch of Rhopressa, Aerie would like to assign the Contract Manufacturing Supply Agreement in entered into with Bausch & Lomb on December 9, 2014. Pursuant to paragraph 20, Bausch & Lomb must consent to such assignment.

Whereas, B+L is willing to consent to the assignment of the Agreement; and

Whereas, the Parties in interest now desire to amend and modify the Agreement as set forth hereinafter.

In consideration of the foregoing premises, the mutual covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. All capitalized terms used herein, unless otherwise defined in this Amendment shall have the meanings set forth in the Agreement.

2. Aerie hereby transfers and assigns all of its rights under the Agreement and Aerie Distribution hereby assumes all of the obligations and liabilities of Aerie under the Agreement arising as of and after the Amendment Effective Date and agrees to be bound by all of the terms and conditions of the Agreement provided, however, that Aerie Pharmaceuticals, Inc. shall remain responsible for performance of all of its obligations under the Agreement regardless of said assignment and assumption.

3. B+L hereby consents to the aforesaid assignment of the Agreement by Aerie to Aerie Distribution subject to the terms hereof.

4. All references in the Agreement to Aerie shall be deemed to refer to Aerie Distribution as of the effective date of said assignment subject to Section 2 above.

5. Section 3.A. of the Agreement is hereby amended by deleting the last sentence in that Section and replacing it with the following:

> Prices for Product(s) sold to Aerie during the Term are F.O.B. the F.O.B. Point freight collect.

6. Section 4.B. of the Agreement is hereby amended to add the following sentences to the end of such Section:

> B+L will provide monthly inventory reports to Aerie in a form to be mutually agreed to by the parties. B+L shall use reasonable efforts to provide such report on or before the fourth business day of each month.

7. Section 4.D. of the Agreement is hereby amended to add the following sentence to the end of such Section:

> In the event that an entire lot (or lots), or a portion thereof exceeding [***] of the volume of such lot (or lots) of finished product is rejected and it is determined through the process of investigation and confirmed in any Non-Conformance Report (NCR) that the cause of such rejection was the negligence of B+L, B+L shall be responsible to reimburse Aerie for the actual cost of the active pharmaceutical ingredient (API) supplied by Aerie and incorporated in such rejected lot (or lots) and/or portion thereof. Notwithstanding the foregoing yield loss attributable to regular manufacturing operations shall not be considered to be caused by the negligence of B+L and shall not be subject to this provision.

8. Section 6 of the Agreement is hereby amended by adding the following subsection C to the end of such Section:

> C. Business Meetings. Representatives of Aerie and B+L shall meet and conduct business review meetings on a quarterly basis. Such meetings shall take place during normal business hours of B+L and the time and place of such meetings, as well as the agenda of topics to be discussed, shall be mutually agreed to by the parties in advance.

9. Section 8 of the Agreement is hereby amended by deleting such section and replacing with the following:

> Unless otherwise agreed in writing by the parties, B+L will ship the Product F.O.B., the F.O.B. Point (as defined herein), to arrive at Aerie's designated destination point within one hundred and twenty (120) days of the date a Purchase Order is received and accepted by B+L. The F.O.B. Point shall be Kenco VPI, 4309 Distribution Drive, Chattanooga,

Tennessee, 37416. At the request and expense of Aerie, B+L shall ship the Product ordered by Aerie by such carrier or carriers as Aerie may designate including required documents per B+L shipping procedures and Quality Agreement with Aerie. Such shipping instructions shall be submitted by Aerie to B+L in advance. Any pickup by a carrier arranged by Aerie shall be made only by appointment scheduled with Kenco VPI, 4309 Distribution Dr., Chattanooga, TN 37416. Unless otherwise agreed by the parties hereto, all risk of loss or damage to the Product from any cause whatsoever shall be borne by Aerie after delivery to Aerie or Aerie's carrier at the F.O.B. Point. B+L shall not be obligated to maintain an inventory of the Product(s).

10. Section 10.D. of the Agreement is hereby amended by deleting the reference to ninety (90) days in said Section and replacing it with one hundred twenty (120) days.

11. Section 21 of the Agreement is hereby amended by deleting the addresses to which notice to Aerie must be sent and replacing with the following:

As to B+L:	Bausch & Lomb Incorporated 8500 Hidden River Parkway Tampa, Florida 33637 Attention: Director of Plant Operations
With a copy to:	Valeant Pharmaceuticals North America LLC 400 Somerset Corporate Blvd., Bridgewater, NJ 08807 Attn: General Counsel
As to Aerie and Aerie Distribution:	Aerie Pharmaceuticals, Inc. 4301 Emperor Blvd., Suite 400, Durham, NC 27703 Attn: Vice President, Manufacturing
With a copy to:	Aerie Pharmaceuticals, Inc. 135 US Highway 206, Suite 15, Bedminster, NJ 07921 Attn: General Counsel

12. Appendix A of the Agreement is hereby amended by deleting such Appendix in its entirety and replacing it with Appendix A attached hereto.

13. Appendix C of the Agreement is hereby amended by deleting therefrom all references to AR-13324 1ml fill and PG-324 1ml fill sizes. Such Products shall be deemed deleted from this Agreement.

14. All other terms and conditions of the Agreement not specifically amended or modified herein shall continue in full force and effect.

(signature page follows)

In Witness Whereof, the parties have hereunto set forth their signatures as of the date set forth above.

Bausch & Lomb Incorporated		**Aerie Pharmaceuticals, Inc.**	
By:	**/s/ David J. Dutort**	**By:**	**/s/ Tom Mitro**
Name:	**David J. Dutort**	**Name:**	**Tom Mitro**
Title:	**Director Site Operations**	**Title:**	**President and Chief Operating Officer**

Aerie Distribution Incorporated

By:	**/s/ Rich Rubino**
Name:	**Rich Rubino**
Title:	**Chief Financial Officer**

APPENDIX A

PRICE SCHEDULE

Product	Unit Price ($)	Unit Price ($)
AR-13324 Ophthalmic Solution, 0.02% - NLT 2.5 mL (Trade) or	$[***]	
AR-13324 Ophthalmic Solution, 0.02% - NLT 2.5 mL ('Professional Sample')		
Product Serialization	$[***]	
Continuous Particulate Monitoring	$[***]	
Increase requirement for special handling of API in accordance with specification change	$[***]	
	$[***]	$[***]

Product	Unit Price ($)	Unit Price
PG-324 Ophthalmic Solution, 0.02% - NLT 2.5 mL (Trade) or	$[***]	
PG-324 Ophthalmic Solution, 0.02% - NLT 2.5 mL ('Professional Sample')		
Product Serialization	$[***]	
Continuous Particulate Monitoring	$[***]	
Increase requirement for special handling of API in accordance with specification change	$[***]	
	$[***]	$[***]

Note: The quoted price(s) for PG-324 Ophthalmic Solution, 0.02% are based on the current costing of the Latanoprost sourced by B&L; this may be revised in the event Aerie would qualify another source of Latanoprost with a lower cost.

APPENDIX B

Annual Minimums

Product: AR-13324 Ophthalmic Solution, 0.02% (Rhopressa™)

Production Year Starting	Annual Minimum (number of units)
2019	**[***]**
2020	**[***]**
2021	**[***]**
2022	**[***]**

Note: The annual minimums may be revised following the NDA approval of AR-13324 Ophthalmic Solution, 0.02% product and/or on an annual basis as outlined in Section 7A.

Product: PG-324 Ophthalmic Solution, 0.02% (Rocklatan™)

Production Year Starting	Annual Minimum (number of units)
2020	**[***]**
2021	**[***]**
2022	**[***]**
2023	**[***]**

Note: The annual minimums may be revised following the NDA approval of PG-324 Ophthalmic Solution, 0.02% and/or on an annual basis as outlined in Section 7A.

In this document, "[***]" indicates that confidential materials have been redacted from this document and filed separately with the Securities and Exchange Commission.

Exhibit 10.6

SECOND AMENDMENT
TO
CONTRACT MANUFACTURING SUPPLY AGREEMENT

This Second Amendment to Contract Manufacturing Supply Agreement ("Amendment") is entered into as of this 15 day of August, 2018 (the "Amendment Effective Date") by and between **Bausch & Lomb Incorporated,** having a place of business located at 8500 Hidden River Parkway, Tampa, Florida 33637 ("B+L") and Aerie Distribution Incorporated, a Delaware Corporation having its principal place of business at 4301 Emperor Boulevard, Suite 400B, Durham, North Carolina 27703 ("Aerie Distribution").

Whereas, B+L and Aerie Pharmaceuticals Inc. ("Aerie") entered into a certain Contract Manufacturing Supply Agreement dated December 9, 2014 (and its amendments thereto) whereby Aerie engaged B+L to manufacture and supply certain Products (as defined therein) and B+L agreed to manufacture and supply such Products (collectively, the "Agreement"); and

Whereas, Aerie assigned its rights in the Agreement to Aerie Distribution with the consent of B+L and the parties amended the terms of the Agreement pursuant to the First Amendment to Contract Manufacturing Supply Agreement dated May 31, 2018; and

Whereas, the Parties now desire to further amend and modify the Agreement as set forth hereinafter.

In consideration of the foregoing premises, the mutual covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. All capitalized terms used herein shall have the same meaning as set forth in the Agreement unless specifically defined herein.

2. Section 7.A. of the Agreement is hereby amended by deleting such section and replacing it with the following:

"A. Annual Minimum. Aerie shall purchase from B+L a minimum annual amount of Product(s) during the periods of time and in the amounts set forth in Appendix B attached hereto (the "Annual Minimum"). If Aerie does not purchase such Annual Minimum during any applicable time period as specified in Appendix B, then Aerie shall pay to B+L the amount calculated in accordance with the terms set forth in Appendix B. The parties shall meet at least once annually to discuss in good faith reasonable adjustments to the Annual Minimums for the following calendar year taking into consideration the market conditions for the Product(s). Any such adjustment shall be mutually agreed upon in writing and shall be subject to the terms of this Agreement.

3. Appendix B of the Agreement is hereby amended by deleting such Appendix in its entirety and replacing it with Appendix B attached hereto.

4. All other terms and conditions not specifically amended or modified herein shall remain in full force and effect.

(*signature page follows*)

In Witness Whereof, the parties have hereunto set forth their signatures as of the date set forth above.

Bausch & Lomb Incorporated

By: /s/ David J. Dutort

Name: David Dutort

Title: Director Site Operations

Aerie Distribution Incorporated

By: /s/ Tom Mitro

Name: Tom Mitro

Title: President and Chief Operating Officer

Aerie Distribution Incorporated

By: /s/ Rich Rubino

Name: Rich Rubino

Title: Chief Financial Officer

APPENDIX B

Annual Minimums

Products: AR-13324 Ophthalmic Solution, 0.02% (Rhopressa®) and PG-324 Ophthalmic Solution, 0.02% (Roclatan™)

Calendar Year	Annual Minimum (number of units)
2019	[***]
2020	[***]
2021	[***]
2022	[***]

1. During each Calendar Year above, Aerie shall purchase a combined number of units of all Products (Rhopressa and Roclatan) in the Annual Minimum amounts set forth in the table above.

2. If Aerie fails to purchase the Annual Minimum during any applicable calendar year, Aerie shall pay to B+L an amount calculated by subtracting the total combined number of units of [***] from the [***] and then multiplying that result by an amount equal to [***] of the per unit prices of the commercial (non-sample) sizes of the Products as set forth in Appendix A (the resulting amount being the "Shortfall Amount").

3. Aerie shall pay any Shortfall Amount to B+L within forty-five (45) days of receipt of invoice issued following the end of the applicable Calendar Year.

For purposes of an example of the calculation of the Shortfall Amount utilizing the Annual Minimums set forth above and the current prices set forth in Appendix A, assume that in 2019 Aerie purchases [***] units of Rhopressa and [***] units of Roclatan. The calculation would be as follows:

[***] x ([***] Purchase Price of Commercial Products) = Shortfall Amount

[***]

[***]

[***] (Shortfall Amount)

In this document, "[***]" indicates that confidential materials have been redacted from this document and filed separately with the Securities and Exchange Commission.

Exhibit 10.7

Manufacture and Supply Agreement

This Manufacture and Supply Agreement (the "Agreement") is entered into and made effective as of this 1st day of January 2018 (the "Effective Date"), by and between:

1. **Cayman Chemical Company, Incorporated**, a Colorado Corporation licensed to do business in Michigan, whose registered office is located at 1180 E. Ellsworth Road, Ann Arbor, Michigan, 48108, USA (hereinafter referred to as " **Cayman**"); and

2. **Aerie Distribution, Incorporated**, a corporation organized under the laws of Delaware, USA, and a wholly-owned subsidiary of Aerie Pharmaceuticals, Incorporated, having a place of business at 4301 Emperor Blvd., Suite 400B, Durham, NC 27703, USA (hereinafter referred to as "**Aerie**"),

each a "Party" and together the "Parties".

RECITALS

WHEREAS, Cayman is a worldwide manufacturer of active pharmaceutical ingredients ("APIs"); and

WHEREAS, Aerie and its Affiliates desire to produce formulated drugs for various markets, utilizing APIs manufactured by Cayman; and

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the Parties hereto agree as follows:

ARTICLE 1.0 DEFINITIONS

1.1. "Affiliate" shall mean any corporation or non-corporate business entity which controls, is controlled by, or is under common control with a party to this Agreement. A corporation or non-corporate business entity shall be regarded as in control of another corporation if it owns, or directly or indirectly controls, at least fifty (50%) percent of the voting stock of the other corporation, or: (i) in the absence of the ownership of at least fifty (50%) percent of the voting stock of a corporation; or (ii) in the case of a non-corporate business entity, or non-profit corporation if it possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such corporation or non-corporate business entity, as applicable. A corporation or non-corporate business entity shall also be regarded as in control of another corporation if in any country where local law will not permit foreign equity participation of a majority, ownership, or control, directly or indirectly, of the maximum percentage of such outstanding stock or voting rights permitted by local law.

1.2. "API" shall mean the Active Pharmaceutical Ingredient manufactured as identified in Exhibit A.

1.3. "Certificate of Analysis (COA)" is a listing of all results for tests conducted on samples of a batch of API compared to the Specifications defined by Aerie, listed in regulatory applications, and applicable compendia.

1.4. "CGMP" shall mean the current Good Manufacturing Practices promulgated by the FDA, ICH, European Commission (Eudralex - Volume 4, Parts II and III as applicable to non-sterile active substances), Health Canada, and PMDA as amended from time to time. CGMP shall also include good manufacturing practice regulations promulgated by a Regulatory Authority in a Territory added to this Agreement after the Effective Date of this Agreement, solely to the extent Aerie or its designee has provided access to written copies of such regulations to Cayman prior to Cayman's manufacturing of Product under this Agreement. Copies of all regulations shall be in the English language.

1.5. “Date of Manufacture” shall be as notated in the applicable step of the executed master batch record for the batch and as recorded on the COA.

1.6. “Facility” or “Facilities” shall mean Cayman’s US facility located at 1180 E. Ellsworth Road, Ann Arbor, MI, 48108, USA.

1.7. “FDA” shall mean the United States Food and Drug Administration, and any successor entity thereto.

1.8. “Gross Negligence” shall mean conduct that evinces a reckless disregard for or indifference to the rights of others, risk with respect to loss of Product, or lack of adherence to CGMP or approved procedures *(e.g.,* MBRs or approved standard operating procedures).

1.8.1. For the avoidance of doubt the following examples are considered to be Gross Negligence: (i) lack of proper care in handling materials, such as the placement of material in an unstable location resulting in a spill and subsequent loss and (ii) not following the master batch record instructions, such as the addition of incorrect material during execution of a MBR resulting in unrecoverable loss.

1.9. “Health Canada” shall mean the Therapeutic Products Directorate of Canada, and any successor entity thereto.

1.10. “ICH” shall mean the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use, and any successor entity thereto.

1.11. “Intellectual Property (IP)” shall mean any patents, utility models, trademarks, service marks, rights in designs, copyrights, rights in databases, and rights in know-how (whether or not any of these is registered or capable of registration and including applications for registration of any such thing), and all other similar rights or forms of protection of a similar nature or having equivalent or similar effect to any of these which may subsist anywhere in the world.

1.12. “Intermediate” shall mean an Intermediate manufactured during the process of manufacturing the Product and shall be produced according to CGMP and manufactured using an appropriately validated process.

1.13. “Latent Defect” shall mean a defect that was not identifiable or knowable using reasonable means of analysis. Latent Defect does not include inherent properties of the Product.

1.14. “Marketing Application” shall mean an application for marketing authorization which has not yet been approved by the FDA or other Regulatory Authority, including without limitation, FDA Investigational New Drug Application (IND), FDA New Drug Application (NDA), FDA Abbreviated New Drug Application (ANDA), and other similar marketing applications and/or supplements to approved applications promulgated by Regulatory Authorities in any jurisdiction.

1.15. “Marketing Authorizations” shall mean any approved application for marketing authorization, including without limitation, IND, NDA, ANDA (as such terms are used by the FDA), and other similar marketing authorizations promulgated by Regulatory Authorities in any jurisdiction.

1.16. “MBR” shall mean a master batch record for manufacturing and packaging of the Product that is adequate to comply with the applicable requirements and standards of such regulatory agencies and health authorities to which Aerie shall submit their US NDA or comparable application in other jurisdictions.

1.17. “Minimum Purchase Requirements” shall mean the minimum quantity of Product purchased by Aerie by Year as indicated in Exhibit B.

1.18. “PMDA”“ shall mean the Japanese Pharmaceuticals and Medical Devices Agency, and any successor entity thereto.

1.19. "Ph Eur" shall mean European Pharmacopoeia.

1.20. "Product" shall mean the API identified in Exhibit A and produced according to CGMP and manufactured using an appropriately validated process.

1.21. "Quality and Technical Agreement (QTA)" shall mean the current quality and technical agreement with an effective date of 07 Jan 2016 and any amendments or successive agreements thereto.

1.22. "Regulatory Authority" shall mean the FDA and any other applicable authority within a Territory involved in regulating any aspect of the development, manufacture, market approval, sale, distribution, packaging, or use of the Aerie APIs or drug products formulated therewith.

1.23. "Specifications" shall mean the particulars as to composition, quality, and other characteristics for the Product as referenced in Exhibit A hereto, as may be amended from time to time by mutual agreement of the Parties.

1.24. "Territories" shall mean the United States of America, Canada, Europe, Japan, and any other region or country which Aerie may propose in writing to add to this Agreement with Cayman's written consent, such consent not to be unreasonably withheld.

1.25. "USP" shall mean United States Pharmacopoeia.

1.26. "Willful Misconduct" shall mean when a person intentionally acts or fails to act knowing that (his, her) conduct will probably result in injury, damage, or loss of starting material, Intermediate, or Product.

1.26.1. For the avoidance of doubt the following examples are considered to be Willful Misconduct: (i) intentional addition of incorrect material and (ii) failure to clean a spill resulting in a slip and fall and subsequent loss.

1.27. "Year" shall mean calendar year commencing on January 1 and ending December 31.

ARTICLE 2.0 SUPPLY

2.1 **Supply**. Cayman shall supply to Aerie quantities of the Product ordered by Aerie within the Territory from time to time in accordance with this Agreement and the forecasts provided in Section 2.3. Without limiting the foregoing, Cayman shall at all times maintain facilities to manufacture the Product as described in the MBR.

2.1.1. All Product shall be manufactured at and supplied from the Facility.

2.1.2. The Product shall be supplied in packages as described in Section 2.7 containing the amounts as designated on Aerie's order.

2.1.3. Quantities of Product to fulfill an order should come from the most recent single batch of Product. If multiple batches are required to fulfill an order amount, the Date of the Manufacture for the applicable batches cannot be separated by more than ninety (90) days.

2.2. **Orders.** Quantities of the Product will be supplied by Cayman pursuant to purchase orders submitted by Aerie to Cayman as stipulated in Section 2.3.

2.2.1 The quantities ordered shall be set according to the binding forecasts as indicated in Section 2.3.1 and shall fulfill the Minimum Purchase Requirements (Exhibit B).

2.2.2. Cayman agrees to accept Aerie's purchase orders for the Product, provided that the purchase order is in accordance with the Binding Forecast and other stipulations of this

Agreement and provides for a lead time of not less than one hundred twenty (120) days with planned order fulfillment in the month of December.

2.2.2.1. Cayman's obligation to supply within this lead time period shall be limited to those quantities included in the binding forecast.

2.2.2.2. Cayman shall not be penalized for order fulfillment in advance of the date requested in the purchase order.

2.2.3. Aerie agrees to accept the total quantity of the Product manufactured in a given single batch, provided that scale of the applicable manufacturing campaign was targeted based on the quantity in the purchase order based on the yield range for the step.

2.3. **Forecasts.** The non-binding and binding forecasts shall be updated by Aerie within five (5) business days of the first calendar day of each month. The total Binding Forecast and Non-Binding Forecast will be for an eighteen (18) month period.

2.3.1. **Binding Forecasts.** Beginning 01May2018, Aerie will provide to Cayman a binding six (6) month forecast starting from the end of the previous period. The binding six (6) month forecast will set forth desired fulfillment dates with quantities that Aerie will be obligated to buy according to the Minimum Purchase Requirements (Exhibit B) and Cayman will be obligated to supply.

2.3.2. **Non-Binding Forecasts.** Aerie will provide to Cayman a non-binding twelve (12) month forecast starting from the end of the period in the Binding Forecast. The non-binding twelve (12) month forecast will assist Cayman in planning and capacity allocation.

2.3.3. Aerie may request the acceleration of an order in advance of the fulfillment dates as specified in the Binding Forecast (Section 2.3.1) or the accepted purchase order; in this event Cayman shall use all commercially reasonable efforts to fulfill this request. If Cayman successfully meets the amended fulfillment date, a [***] premium shall be applied to the applicable Pricing in Exhibit B for the specific quantity ordered.

2.4. **Form of Orders.** Aerie's orders shall be made pursuant to a written purchase order which is in a form acceptable to Cayman, and shall provide for shipment in accordance with reasonable fulfillment and delivery schedules specified in such purchase order, it being acknowledged and agreed that a fulfillment and delivery schedule specifying delivery [***] days or more from the date of the purchase order (or such shorter time as the Parties may reasonably agree in the circumstances) shall be considered reasonable. Purchase orders may be submitted by Aerie (or an Affiliate thereof) on behalf of itself or its Affiliates. Purchase orders shall include at minimum:

2.4.1. PO number

2.4.2. Quantity

2.4.3. Target Fulfillment Date

Cayman shall provide a written order acknowledgement form within five (5) business days from receipt of Aerie's purchase order confirming the quantities and fulfillment date for the order, including whether Cayman will be able to fill any amounts of such order in excess of the quantities that Cayman is obligated to supply pursuant to Section 2.1 above. This written order acknowledgement form will be regarded as a binding irrevocable commitment by Aerie and/or its Affiliates to purchase, and for Cayman to manufacture and supply, the relevant quantity of Product. No terms contained in any purchase order, order acknowledgment, or similar standardized form shall be construed

to amend or modify the terms of this Agreement and in the event of any conflict, this Agreement shall control unless expressly agreed in writing.

2.5 **Additional Quantities.** Notwithstanding anything herein to the contrary, Cayman agrees to use all commercially reasonable efforts to supply any quantities ordered by Aerie in excess of such amounts as Aerie may forecast in accordance with Section 2.3 above, provided that any failure to do so shall not constitute a breach of this Agreement.

2.6. **Price.** The price to be paid by Aerie per kilogram (as rounded to the nearest hundredth of a kilogram) of the Product ordered by Aerie shall be based upon the quantities of the Product ordered and fulfilled by Cayman during a particular calendar year as described in Exhibit B. Payments shall be made according to the Payment Schedule in Exhibit B.

2.7. **Packaging.** Product shall be shipped to Aerie or their designee from Cayman's Facility (i) according to the packaging as described in the Specifications and the MBR; (ii) in outer packing material sufficient to prevent breakage of bottles while in transport and maintain the required temperature range throughout the transport to Aerie or their designee; and (iii) with a packaging label(s) displaying all attributes as described in the MBR.

2.7.1 Additional Packaging operations documented in a Packaging Batch Record (PBR) and related scheduling and costs are outside the scope of this agreement.

2.7.2. A copy of a COA for the batch shall accompany such shipment along with all required shipping documentation based on final destination.

2.8. **Storage.** Cayman shall provide proper storage for raw materials, starting materials, intermediates, and Product.

2.8.1. Aerie will have Aerie Vendor(s) [1] ship to Cayman advance inventory of starting materials for manufacturing of Product to the extent required to meet the quantities in the Binding Forecast and Non-Binding Forecast.

2.8.2. If Product is not shipped immediately from the Facility, Cayman will provide storage of Product up to the capacity of Aerie owned freezer(s) within the Facility (see Exhibit D).

2.9. Stoppages.

2.9.1. Aerie shall have the right to direct Cayman to stop work (a "Stoppage"); such fees described in Section 2.9.5 shall apply.

2.9.2. Cayman shall have the right to issue notice to Aerie that a Stoppage has occurred after [***] in the dedicated GMP Manufacturing Suite with the Aerie Purchased Equipment (per Section 2.16), if not resolved *via* issuance of a PO or resumption of production within [***], such fees described in Section 2.9.5 shall apply.

2.9.3. In the event Aerie issues a notice of Stoppage, Aerie will provide reasonable good faith estimate of the duration of the Stoppage as soon as is commercially reasonable.

2.9.4. For the avoidance of doubt, the effective date of the Stoppage is deemed to be the [***] after the day that work was actually stopped by Cayman in accordance with the instruction received from the applicable Party.

[1] As defined in the QTA

2.9.5. Fees.

2.9.5.1. For each month or fraction thereof in which Cayman's Aerie-dedicated suite is subject to a Stoppage, Aerie will pay a fee (the "Stoppage Fee") to Cayman at a rate of $[***]/month (annually adjustable for inflation based on the United States' Producer Price Index (USPPI PCU325325)), provided that:

2.9.5.1.1. following a Stoppage Cayman shall use reasonable efforts to re-allocate capacity and resources to third parties and otherwise mitigate its losses, and Aerie shall pay the Stoppage Fee, or a portion thereof, in respect of losses that cannot be mitigated having exercised such efforts; and

2.9.5.1.2. if such mitigation requires re-allocation of the dedicated suite and Aerie Purchased Equipment (per Section 2.16), and such written permission is withheld, the full Stoppage Fee shall apply.

2.9.5.1.3. no Stoppage Fee will be payable in any Year in which the quantity of material in Aerie purchase orders accepted by Cayman for the applicable Year meets the Minimum Purchase Requirements.

2.9.5.2. The initial Stoppage Fee shall be invoiced upon receipt of a notice of Stoppage per Section 2.9.1 or 2.9.2 and payable per the terms in Section 2.14; subsequent monthly Stoppage payments are due on the first of the month subsequent to the initial Stoppage.

2.9.6. Restarts from Stoppages.

2.9.6.1. Timing. Upon receiving receipt of written notice to resume production (PO is considered an accepted form of notice) Cayman shall provide the date for the resumption of manufacturing suitable to allow for appropriate release of materials and manufacturing areas.

2.9.6.2. If in any Year Aerie makes Stoppage Fee payments, but goes on to place purchase orders that are accepted by Cayman thereby meeting the Minimum Purchase Requirements in that Year, all Stoppage Fee payments already paid will be reimbursed by Cayman or credited against future orders.

2.9.7. Stoppage from routine manufacture is permissible upon mutual and written agreement between both parties for the demonstration and/or validation of second generation process improvements at scale. No Stoppage Fee shall be applied during a Stoppage of mutual agreement for the demonstration and or validation of second generation process improvements.

2.9.7.1. Any costs associated with the demonstration and/or validation of second generation process improvements and applicable batch record revisions to accommodate such are outside the scope of this agreement.

2.9.8. Minimum Purchase Requirements (Exhibit B) shall be adjusted by mutual agreement based on the impact of the duration of the Stoppage.

2.10. **Use and Purification of Starting Materials.**

2.10.1. Cayman shall use all commercially reasonable efforts to efficiently purify starting materials with target yields provided in Exhibit C. Cayman shall

provide reprocessing metrics (in a mutually agreed upon format) and batch documentation upon request.

2.10.2. Cayman shall use all commercially reasonable efforts to make efficient use of starting materials supplied by Aerie (or by third-party suppliers on Aerie's behalf, "Aerie Vendors") and to maximize the amount of Product manufactured therefrom. Target quantities for starting materials to be consumed per kilogram of applicable Intermediate are provided in Exhibit C.

2.10.3. In the event that Cayman renders any portion of starting material, Intermediate, or Product un-recoverable at any step due to Gross Negligence, deliberate omission, or any willful failure to comply with the terms of this Agreement; Cayman shall be responsible for the cost of the portion of starting material(s) consumed through the applicable step.

2.11. **Waste Streams.**

If requested, specific waste streams may be collected, further processed, transferred to the non-GMP process laboratory for evaporation, then shipped as-is to Aerie. Cayman shall use all commercially reasonable efforts to accommodate waste stream collections.

2.11.1. Waste streams include:

2.11.1.1. Filtrates from the Step 1-2 [***].

2.11.1.2. Collection of additional fractions following elution of the Step 3 [***].

2.11.1.3. Filtrates from the Step 4 [***].

2.11.1.4.Filtrates from the Step 5 [***].

2.11.2. For Step 1-2 and Step 3

2.11.2.1. Aerie shall submit a written request for specific waste streams with the Binding Forecast.

2.11.2.2. Aerie shall approve all applicable waste stream Exhibits prior to the targeted start of manufacturing.

2.11.2.3. Collection of the Step 3 waste stream may be limited by the availability of the applicable solvent. Cayman shall communicate any such vendor supply issue to Aerie, upon receiving notice from the vendor.

2.11.3. For Step 4 and Step 5

2.11.3.1. Aerie shall submit a request for specific waste streams ten (10) business days prior to the start of the applicable step.

2.11.3.2. Aerie shall approve all applicable waste stream Exhibits prior to the start of manufacturing of applicable step.

2.11.4. All costs associated with collection, isolation, evaporation, analytical testing, storage, shipping of waste streams, and applicable batch record revisions to accommodate such are outside the scope of this agreement.

2.12. **Inventory.**

Cayman shall provide monthly inventory reports, in a form mutually acceptable to Cayman and Aerie, which accounts for all Aerie inventory including: (i) incoming starting materials, (ii) purified and released starting materials, (iii) Intermediates, and (iv) Product. Inventory reports shall be provided within three (3) business days from the beginning of the month. Cayman will also allow Aerie, or its representatives, to conduct on site physical inventory count verifications at minimum on an annual basis, this may be concurrent with an Aerie audit of the Facility per Section 3.5 or following not less than thirty (30) days advance notice. Additional on-site physical inventory count verifications are also allowed by mutual agreement.

2.13. **Shipping Terms.** All shipments shall be CIP "Destination" (Incoterms 2010) to an airport (in the case of shipment by airfreight) or to an address (in the case of shipment by courier service). The manner of shipment shall be designated by Cayman and the airport or address shall be designated by Aerie. Aerie shall provide the appropriate information regarding the broker (airport) or contact (final destination) prior to shipment, at minimum inclusive of a person's name, e-mail address, and telephone number. All costs for such shipments shall be invoiced to Aerie following each shipment.

Requests for shipping with notification less than ten (10) business days in advance of the requested shipping date shall be considered "Rush Shipping". Rush Shipping is not guaranteed to be available, but Cayman shall use all commercially reasonable efforts to fulfill this request. Rush shipping may incur additional fees.

2.14. **Payment Terms.** All payments from Aerie hereunder shall be made in U.S. dollars, by direct bank transfer, wire transfer, or check to an account designated in Cayman's invoice. Payment terms shall be net thirty (30) days from the latter of date of invoice or date of order fulfillment. All undisputed amounts due under this Agreement shall, if overdue, bear interest until payment at a per annum rate which will be the sum of five percent (5%) and the prime rate in effect at the Bank of America or its successor on the due date, but in no event more than the maximum rate permitted by law. The payment of such interest shall not foreclose Cayman from exercising any other rights it may have resulting from any late payment.

2.15. **Taxes.** Aerie shall be responsible for the payment of any taxes, tariffs, or duties pursuant to CIP Destination (Incoterms 2010) related to the import of the Product into the country of destination.

2.16. **Purchased Equipment.**

2.16.1. The Parties acknowledge and agree that the equipment listed on Exhibit D ("Aerie Purchased Equipment") was purchased by and is the property of Aerie, and that the Aerie Purchased Equipment has been installed at the Facility and suitably validated and/or qualified for use by Cayman. The Parties intend such Aerie Purchased Equipment shall remain at the Facility and be used by Cayman to manufacture Product during the Term. Cayman shall use the Aerie Purchased Equipment solely in connection with fulfilling its obligations pursuant to this Agreement and for no other purpose.

2.16.2. Cayman shall be responsible for reasonable upkeep and repair of the Aerie Purchased Equipment in line with regular maintenance and calibration schedules and abide by equipment supplier servicing timeframes.

2.16.3. In the event that the Aerie Purchased Equipment must be replaced, Cayman will be responsible for the cost of replacement of such Aerie Purchased Equipment and installation of new equipment as defined in Exhibit D. All replacements to the Aerie Purchased Equipment at Cayman's expense will become Cayman's property.

2.16.3.1. In the event a replacement is necessary the approval of such replacement shall not be unreasonably withheld by Cayman.

2.16.3.2. Following such approval, the timeline and, if applicable, delays from the manufacturer or supplier of the replacement equipment that impact Cayman's ability to supply and Aerie's ability to purchase shall not be considered a breach of contract under Section 7.3 and 7.5 of this agreement, unless equipment failures and associated stoppages are due to Cayman's Gross Negligence or failure to comply with 2.16.2.

2.16.3.3. Cayman will not without Aerie's prior written consent move the Aerie Purchased Equipment from the Facility and shall ensure that at all times it is only for use to supply Product to Aerie and its Affiliates.

2.17. **Cost Adjustments.** Should the production cost change considerably to the disadvantage of one of the Parties, the Party seeking a price adjustment shall provide documented evidence of the relevant factors (such as changes in the costs of raw materials, labor, utilities, or other overhead costs associated with the manufacture of the Product) and the Parties shall negotiate to solve such a problem in good faith, balancing the interests of the Parties, and shall mutually agree to any changes in writing. Any agreement between the Parties to change the price shall take effect from the beginning of the following Calendar Year (the "Subsequent Year"). If the Parties are unable to agree to change the price (or to leave it unchanged) before the start of the Subsequent Year, the price for Product shall be the same as that prevailing in the Calendar Year in which the price review discussions commenced. Notwithstanding the above, Cayman and Aerie shall cooperate to identify opportunities to reduce the cost of manufacturing and packaging Product. Cayman will implement process improvements at Aerie's direction, following applicable risk assessment and determination of impact on regulatory filings, and share the benefits of price improvements with Aerie

2.18. **Insurance.** Cayman shall obtain and keep in force during the Term, at its sole cost and expense, such types and amounts of insurance as are customary for API manufacturers of Cayman's size. At Aerie's request, Cayman shall provide certificates of insurance documenting Cayman's insurance coverage.

2.19. **Business Review Meetings.** Cayman and Aerie shall make reasonable best efforts to have in-person Business Review Meetings with a minimum frequency of not less than two (2) per year at a mutually agreed upon location.

ARTICLE 3.0 QUALITY

3.1. **Quality.** All Product supplied by Cayman shall meet (i) the requirements of the QTA, (ii) the current approved Specifications (as referenced in Exhibit A), (iii) additional requirements that the Parties may mutually agree to from time to time if technically feasible and in accordance with the change control procedure set out in the QTA, and (iv) the requirements of any Regulatory Authority to which Aerie has submitted, or notifies Cayman it will submit or sponsor the submission of, a Marketing Application. In case any official monograph or Regulatory Authority requirement conflicts with the current Specifications and Cayman's manufacturing and control process of Product described in the MBR, the Parties will consult to seek a mutually acceptable solution. All Product supplied by Cayman shall be manufactured in accordance with CGMP, at Cayman's Facility. Cayman shall maintain and comply with a quality management system and generate and maintain records of the manufacture of Product in accordance with the QTA.

3.2. **Quality Control.**

3.2.1. Starting Materials. Within forty-five (45) days of receipt by Cayman of a bulk or pre-shipment sample of a starting material provided by Aerie or an Aerie Vendor, Cayman shall perform quality control procedures to verify that all such starting materials conform fully to the specifications therefore and are otherwise suitable for use in the manufacture of Product. If Cayman determines that any starting materials fail to conform to their Specifications or are otherwise unsuitable for use in the manufacture of Product, Cayman shall notify Aerie and the vendor immediately (and, in any event, within two (2) business days of such determination), and shall provide Aerie with test results, representative samples, and any other evidence necessary to demonstrate such non-conformance or unsuitability, if requested. Cayman shall properly store and maintain all conforming starting materials to ensure they remain in compliance with Specifications and suitable for manufacture of Product. In the event a starting material from Aerie or an Aerie Vendor is rejected by Cayman, Aerie shall arrange for the return and replacement of such material and all such activities and related expenditures for such activities are at the expense of Aerie.

3.2.2. Product. Prior to each shipment of Product, Cayman shall perform quality control procedures to verify that the quantity or batch of such Product to be shipped conforms fully to the Specifications and additional requirements of Aerie as stipulated in Section 3.1. Each shipment of Product shall be accompanied by a COA describing all current requirements of the Specifications and results of tests performed.

3.2.3. Stability Testing. Cayman shall conduct stability testing of one (1) batch of the Product annually and shall provide Aerie with on-going stability reports. The cost of all such analysis and evaluations shall be borne by Cayman.

3.3. **Rejection.** Aerie shall have forty-five (45) days following its receipt of a shipment of Product (or, with respect to any Latent Defect, thirty (30) days following discovery by Aerie of such Latent Defect) to reject such Product on the grounds that all or part of the shipment fails to conform to the applicable Specifications or otherwise fails to conform to the warranties given by Cayman in Section 5.1, which rejection shall be accomplished by giving written notice to Cayman specifying the manner in which all or part of such shipment fails to meet the foregoing requirements. If rejection is based on grounds of contamination or Product not passing any physical test or Specification, rejection notice shall be accompanied by satisfactory representative data or sample provided to Cayman to verify such non-conformity (necessity of data or sample shall be mutually agreed between the Parties). If Aerie rejects a shipment before the date on which payment therefore is due, it may withhold payment for such shipment or the rejected portion thereof. The warranties given by Cayman in ARTICLE 5.0 below shall, to the extent provided therein, survive any failure to reject by Aerie under this Section 3.3. In the event of a rejection pursuant to this Section 3.3, at Aerie's (or its relevant Affiliate's) request, Cayman will deliver a replacement delivery of the Product to Aerie or its Affiliate as soon as practicable after notification of the rejection, using commercially reasonable efforts to ensure continuity of supply, and Aerie or the relevant Affiliate shall pay Cayman for such delivery in accordance with the payment provisions set out in this Agreement.

3.4. **Returns and Settlement of Claims.** Cayman shall be obliged to respond in writing to Aerie accepting or refusing a rejection notice from Aerie within thirty (30) days from the date of receipt of such rejection notice in accordance with Section 3.3, above. In case of disagreement between the Parties, the claim shall be submitted for tests and decision to an independent testing organization which meets appropriate GMP or consultant of recognized repute within the United States or EU pharmaceutical industry mutually agreed upon by the Parties (or, in the absence of such agreement, nominated by the President of the International Chamber of Commerce or his

designee upon the application of either Party) (hereinafter referred to as the "Laboratory"), the appointment of which shall not be unreasonably withheld or delayed by either Party. The determination of such entity with respect to all or part of any shipment of Product shall be final and binding upon the Parties. The fees and expenses of the Laboratory making such determination shall be paid by the Party against which the determination is made *(i.e.,* the Party whose argument is rejected by the Laboratory). Product accepted by Cayman as not meeting the applicable requirements and Specifications or so decided by the Laboratory shall be returned by Aerie to Cayman at Cayman's expense. Cayman shall use its best efforts to replace the quantities of Product returned by Aerie within the shortest possible time, but no later than one hundred twenty (120) days from the return of such quantities unless mutually agreed upon by the Parties *(e.g.,* if a Batch of Product is already underway in the Facility, such agreement shall not be unreasonably withheld). The replacement of returned Product shall be scheduled in such a way as to minimize the impact upon Cayman's obligations for timely fulfillment and delivery of other Product ordered for shipment. Without limiting the remedies of Aerie, if Cayman fails to replace returned Product within one-hundred and fifty (150) days from the date Product is returned to Cayman, unless mutually agreed as stated above, Aerie shall have the right (i) to cancel such replacement shipment by written notice to Cayman, (ii) to reclaim immediately (either through refund or setoff, at Cayman's option) the amounts paid pursuant to Section 2.6 above for the Product that was returned but not replaced, if such payment for such Product had already been made to Cayman accordingly, or (iii) or to have Cayman reprocess the material following mutual agreement.

3.5. **Aerie Audit of Facility.** Upon advance notice given by Aerie to Cayman at a reasonable frequency, as described in the QTA, Aerie shall have the right to assign a reasonable number of employees or consultants of Aerie to inspect and audit the Facility at which Product is manufactured in order to verify Cayman's compliance with the CGMP and other agreed or legal requirements, provided, however that (i) such employees or consultants shall not unreasonably interfere with activities being carried out of Facility, (ii) that such employees or consultants shall observe all rules and regulations generally applicable to visitors and to individuals employed at the Facility, and (iii) all such activities and related expenditures for such activities are at the expense of Aerie, Cayman shall have no monetary obligation resulting from such activities. Cayman employees shall cooperate fully with Aerie's employees and consultants during any such inspections. For the avoidance of doubt, in conducting such inspections, Aerie employees and consultants may inspect, request samples, test, and analyze all manufacturing and packaging processes, equipment, and starting materials applicable to the Product and the Product itself.

If such inspection or audit is performed as a "For-Cause" inspection (as described in the QTA) and reveals that Cayman is not in compliance with the CGMP or other agreed or legal requirements resulting in material quality or safety concerns, then Cayman shall reimburse Aerie for the cost of such audit and shall be responsible for all costs required to promptly remediate such critical non-compliance. In the event that Aerie identifies any such critical non-compliance in such audit and Cayman fails to implement any mutually agreed corrective or preventative action plan to remedy the same per the timeline in the same plan, and if the Parties are unable to agree a resolution such failure shall be considered a breach per Section 7.2 and subject to the applicable terms of the same except that the period of time that has run from the agreed completion date of any such corrective action plan shall be credited against the sixty (60) day notice provided for therein.

3.6. Manufacturing Records. Cayman will maintain complete and accurate MBRs and any other manufacturing, processing, packaging, and quality control records ("Manufacturing Records") sufficient to (i) show the complete history of Product manufacture, including batch numbers and production dates; (ii) facilitate easy identification and tracing of each lot, batch, unit production run, and any other applicable grouping; and (iii) include any other information reasonably requested by Aerie. Cayman shall make the Manufacturing Records and any other reports, evaluations, or other documents relating to the manufacture, storage, and packaging of Product

available for inspection and copying at all times by Aerie or its authorized agents at the Facility and, at Aerie's request, will deliver to Aerie a copy of all or any part of such records.

ARTICLE 4.0 REGULATORY MATTERS

4.1. **Inspections.** Cayman shall permit Regulatory Authorities to conduct such inspections of the Facility as the Regulatory Authorities may request and shall cooperate with the regulatory agencies with respect to such inspections and any related matters. If any Regulatory Authority communicates to Cayman or Aerie (or its Affiliates) that they require any changes to be made with respect to the manufacture of the Product. The notified Party shall immediately notify the other Party and send to the other Party copies of any relevant documents delivered by said Regulatory Authority within five (5) business days from receipt. The Parties shall agree to an action plan with a target completion date and either (i) if as a result of any such change Aerie will need to alter any Marketing Authorization or commercial process used in the manufacture of finished products, defer the implementation of such change until Aerie can alter the affected Marketing Authorization and/or commercial process (unless and to the extent that such deferral is not reasonably practicable); or (ii) otherwise implement the relevant changes within the timeframe required by the Regulatory Authority and in accordance with the change control procedure in the QTA.

4.2. **Aerie Cooperation.** Aerie agrees to keep Cayman reasonably informed as to the status of the development of and applications for Marketing Authorizations filed in respect of the formulations incorporating the Product supplied hereunder to the extent such status may affect Cayman's performance under this Agreement.

4.3. **Cayman Cooperation.**

4.3.1. Cayman shall promptly notify Aerie upon becoming aware of any problem related to the manufacture of Product such as where it may be affected by bacteriological or other contamination; significant chemical, physical, or other change; deterioration; stability failures; may not comply with the Specifications; or any other occurrence which might reasonably be expected to have adverse regulatory compliance and/or reporting consequences concerning the Product or Aerie's formulations incorporating the Product.

4.3.2. Upon notification from Aerie or its Affiliates that it has received a complaint in respect of any of Aerie's formulations incorporating the Product which may be related to the Product, Cayman shall promptly upon Aerie's written request conduct all such necessary internal investigations as may be reasonably necessary to determine the validity of such complaint. The findings of such investigations shall be reported in writing to Aerie in accordance with the QTA. The costs of any such investigation which Aerie requires to be undertaken pursuant to this Section 4.3.2 shall be borne by Cayman in the event and to the extent that the need for such investigation is the result of a breach of Cayman's warranties.

4.4. **Maintenance of Approvals.** Notwithstanding anything herein to the contrary, Cayman shall not undertake any modifications to the Facility, Product manufacturing or testing processes, Specifications, or filing that could impact Aerie Marketing Applications, Marketing Authorizations, regulatory product reviews, NDA, IND, or any other compliance status without prior agreement of Aerie. Notification concerning any significant change which could affect the aforementioned product approvals must be addressed solely to Aerie (as described in the Quality and Technical Agreement).

4.5. **Regulatory Actions.** Cayman will advise Aerie immediately, and in any event within two (2) business days, if Cayman receives any written notice from any Regulatory Authority or other third party that arises out of, directly relates to or affects Cayman's performance under this

Agreement, including: (i) any warning, citation, indictment, lawsuit, proceeding or claim that is issued, instituted or made by any Regulatory Authority; (ii) revocation of any license or permit or other document issued to Cayman; or (iii) any claim against Cayman for personal injury, death or property damage.

4.6. **Recalls.** Cayman shall promptly notify Aerie upon becoming aware of any problem related to the manufacture of Product such as where it may be affected by bacteriological or other contamination, significant chemical, physical, or other change or deterioration or stability failures; may not comply with the Specifications, or any other occurrence which might reasonably be expected to have adverse regulatory compliance and/or reporting consequences concerning the Product's or Aerie's formulations incorporating the Product.

Aerie will have sole discretion with regard to all decisions relating to whether to institute an inventory retrieval, recall, or any other action to stop the distribution and/or sale of the Product that does not meet the Specifications or pharmaceutical products comprising the Product ("Recalls"), as well as all decisions concerning any Recall strategy and execution. At Aerie's request, Cayman will cooperate with Aerie in connection with any Recall, including coordinating with Aerie regarding any communication with local, state, or federal governmental agencies concerning a potential or actual Recall.

4.6.1. If Aerie or any Regulatory Authority determines that a Recall is required, the Recall strategy shall be developed by Aerie and followed by Cayman, as applicable to the Product, with strict regard to timing requirements. The costs of any such Recall shall be borne by Cayman to the extent that the need for the action is the result of:

4.6.1.1. a manufacturing defect confirmed as a direct result of Cayman's action(s) (including a Latent Defect) in the Product;

4.6.1.2. a failure on the part of Cayman to comply with its obligations under this Agreement; or

4.6.1.3. any Gross Negligence, deliberate omission, or Willful Misconduct on the part of Cayman.

ARTICLE 5.0 PRODUCT WARRANTIES

5.1. **Process and Product Warranties.** Cayman warrants and represents that:

5.1.1. **Specifications.** All Product supplied to Aerie hereunder shall comply with the Specifications for the Product, shall be free from contaminants, and shall conform with the information shown on the COA provided for the particular shipment according to Sections 3.1 and 3.2 hereof;

5.1.2. **GMP.** The Facility, and all Product supplied to Aerie hereunder meets and shall at all times meet (i) all US regulatory requirements for commercialization of the Product as an API, compliance with CGMP, demonstration of commercial production capability, and demonstration of acceptable stability of such Product; and (ii) all requirements imposed by other Regulatory Agencies in the Territories;

5.1.3. **USP.** All Product supplied to Aerie hereunder shall meet all compendia requirements as eventually promulgated by the USP and other applicable standards and shall be fit for human use;

5.1.4. **Notification.** Cayman will provide written notice according to Section 4.4 to Aerie of any proposed alterations to the Facility or to any Product manufacturing or testing process.

5.1.5. **No Encumbrance.** Title to all Product supplied to Aerie hereunder shall pass to Aerie as provided herein free and clear of any security interest, lien, or other encumbrance.

5.1.6. **Regulatory.** Cayman both warrants that they are not debarred under the U.S. Generic Drug Enforcement Act of 1992 and knowingly does not employ within the GMP division or use the services of any individual who is debarred or who has engaged in activities that could lead to being debarred.

It has received no adverse communication from any Regulatory Authority in relation to the Facility and so far as it is aware, there are no grounds on which any Regulatory Authority could issue an adverse communication in relation to the Facility.

5.1.7. **IP.** So far as it is aware, as of the date of this Agreement, the manufacture of the Product at the Facility does not infringe the Intellectual Property rights of any third party (provided that Cayman gives no representations or warranties in relation to the use by Cayman of any Aerie Intellectual Property in accordance with this Agreement).

5.2. **Disclaimer.** Neither Party shall be liable to the other hereunder for special, indirect, incidental, or consequential damages, whether in contract, warranty, negligence, tort, strict liability, or otherwise; provided that the foregoing limitation shall not apply to any such damages paid or payable to third parties in connection with an indemnifiable Claim pursuant to ARTICLE 10.0.

5.2.1. **Exclusive Remedy.** Except with respect to indemnification claims pursuant to Section 10.2, Aerie's exclusive remedy and Cayman's sole liability hereunder shall be limited to a refund of the purchase price and the cost of any starting materials provided by Aerie or Aerie Vendors and used by Cayman, or at Aerie's option, the replacement, at no cost to Aerie (including, for the avoidance of doubt, reimbursement by Cayman to Aerie of the cost of any replacement starting materials from Aerie or Aerie Vendors required to manufacture replacement Product), of all material that does not meet the specifications. With respect to cases of rejection of Product by Aerie, said refund or replacement is conditioned on the requirements as stipulated in Section 3.3.

ARTICLE 6.0 INTELLECTUAL PROPERTY

6.1. The Parties acknowledge and agree that the IP subsisting at the Effective Date in the methods of manufacture of the Product, and any improvements to such methods made by Aerie or its Affiliates after the Effective Date, comprise Aerie's IP.

6.2. Aerie hereby grants (and shall procure that each of its Affiliates grants) to Cayman a non-exclusive, royalty-free license to use for the sole purpose of manufacturing the Product for Aerie and otherwise performing its obligations and exercising its rights under this Agreement any of Aerie's IP that would, but for the grant of such license, be infringed by Cayman in performing those obligations or exercising those rights or in so manufacturing the Product. Except as provided under this Section 6.2, nothing in this Agreement shall be construed as a transfer of or grant of rights by a Party or its Affiliates of any IP that they own, license, or control.

6.3. Cayman shall not challenge Aerie's ownership of, or its right to use, Aerie's IP. For the avoidance of doubt, any such challenge shall be a material breach of this Agreement.

6.4. If Cayman becomes aware at any time that any infringement or unauthorized use of any of Aerie's IP is occurring, threatened, or likely, Cayman shall promptly provide to Aerie all such information as it has in relation thereto and all such assistance which Aerie reasonably requires in taking any action or proceedings in relation thereto. For the avoidance of doubt, Aerie shall have the exclusive right but not the obligation to take any action or proceedings against any third party in relation to Aerie's IP.

ARTICLE 7.0 TERM AND TERMINATION

7.1. **Term.** This Agreement shall commence on the Effective Date and continue in full force until December 31, 2022 (the "Initial Term") unless terminated earlier by mutual agreement of the Parties in writing or as otherwise provided in this Agreement. Following the Initial Term, Aerie may, at its option, renew the Agreement for up to two additional one (1) year periods by giving Cayman written notice of such election not less than sixty (60) days prior to the expiration of the Initial Term or the first renewal term, as applicable (each, a "Renewal Term" and, together with the Initial Term, the "Term").

7.2. **Breach.** This Agreement may be terminated by either Party if the other Party breaches any material term or condition of this Agreement and fails to remedy the breach to the reasonable satisfaction of the non-breaching party within sixty (60) days after being given written notice thereof.

7.3. **Failure to Supply.** Without prejudice to Aerie's right to terminate pursuant to Section 7.2, in the event that Cayman fails to fulfill a purchase order for Product that was properly submitted and accepted by Cayman pursuant to the terms of this Agreement within thirty (30) days of the delivery date specified in the purchase order or supplies Product that does not conform to specification, even if the purchase order for the Product was fulfilled on time: (i) Aerie shall have the right, at its option, to terminate this Agreement, and alternatively or in addition (ii) Aerie shall have no obligation to meet the Minimum Purchase Requirements for the duration of the next twelve (12) months from the agreed upon fulfillment date specified within the purchase order during which Cayman fails to fulfill such purchase order for Product.

7.4. **Regulatory Issues.** Without prejudice to its other rights and remedies, Aerie may terminate this Agreement by notice in writing to Cayman at any time if: (i) Aerie's application for Marketing Authorization in the United States is rejected, (ii) any Regulatory Authority causes the clinical hold or permanent withdrawal of the Product, or (iii) if Cayman is debarred under the U.S. Generic Drug Enforcement Act of 1992, or (iv) if Cayman fails to gain regulatory approval for their Facility or such approval is revoked.

If this agreement is terminated by Aerie for such a Regulatory Issue pursuant to Section 7.4 (i) or (ii), Aerie will pay to Cayman a Termination Fee per Section 7.8.1 save where such termination results from a Breach by Cayman of the terms of this Agreement.

7.5. **Failure to Purchase.** In the event that Aerie fails to place purchase orders necessary to meet the Minimum Purchase Requirements (MPR) for a given Year (Section 2.2.1 and Exhibit B) following any necessary adjustment per Section 2.9.8, save where such failure results from a breach by Cayman of any term of this Agreement, Cayman shall invoice Aerie a Failure to Purchase Fee (FTPF) for the material difference between the actual purchased quantity (APQ) and the MPR for the applicable year equal to the greater of the amounts calculated using the following two formulas:

Where,

ASF = Annual Stoppage Fee

$MPR = Price of MPR in US dollars

$APQ = Invoiced total of APQ in US dollars

$$FTPF = ASF + (\$MPR - ASF) \times \left(1 - \frac{\$APQ}{\$MPR}\right) - \$APQ$$

FTPF = $ [***] × ($MPR – $APQ)

7.5.1. Aerie shall pay such invoice as provided in Section 2.14. This Section 7.5 shall not apply in the event of termination of this Agreement, where Cayman's sole remedy shall be any Termination Fee payable pursuant to Section 7.8.1.

7.6. Either Party may request an adjustment to the Minimum Purchase Requirements in Exhibit B by giving notice in writing (a "**Review Notice**") to the other Party at least three (3) months before the expiry of the two (2) year period commencing on the Effective Date (the "**Initial Period**"); or the expiry of each subsequent two (2) year period after the Initial Period (each a "**Review Date**"). A Review Notice may request an adjustment to the Minimum Purchase Requirements in order to reflect changes in end user demand for the drug product. Following receipt of a Review Notice, representatives of the Parties shall meet to review and discuss the same and shall negotiate in good faith to agree revised Minimum Purchase Requirements. Any revised Minimum Purchase Requirements agreed pursuant to this Section shall take effect from the relevant Review Date, unless otherwise agreed. In the event the Parties are unable to reach agreement in relation to a Minimum Purchase Requirements adjustment requested by either Party in accordance with this Section, the Parties shall use commercially reasonable efforts to resolve the dispute by prompt discussion in good faith at a managerial level appropriate to the dispute. If the Dispute has not been resolved within ten (10) business days, the Minimum Purchase Requirements shall remain unchanged and either Party may terminate the Agreement by giving at least six (6) months' prior written notice of such termination to the other Party.

In the event that the new Minimum Purchase Requirements or such notice of termination results in a Stoppage, fees per Section 2.9.5 shall apply.

7.7. **Effect of Termination.** In the case of termination by a Party under this ARTICLE 7.0 at such Party's option, the Parties' obligations, including Cayman's obligation to supply Product ordered by Aerie prior to the effective date of such termination, and Aerie's obligation to purchase Product included in any binding forecast pursuant to Section 2.3.1 shall survive termination. In addition, Aerie may purchase, and Cayman agrees to supply quantities of Product for which Aerie has not found alternate suppliers for one year following such termination, at then current prices of Product and pursuant to purchase orders issued outside of this Agreement.

Following completion of Cayman's obligations, Aerie shall have ninety (90) days to arrange for removal of the Aerie Purchased Equipment (Section 2.16); such removal and related expenditures for such activities are at the expense of Aerie, Cayman shall have no monetary obligation resulting from such activities. Cayman shall allow Aerie to access the Facility to remove such Aerie Purchased Equipment and provide reasonable assistance in relation to such removal. Any Aerie Purchased Equipment which remains in the Facility after ninety (90) days shall become the sole property of Cayman. Notwithstanding the foregoing, if this Agreement is terminated by reason of the breach by Aerie of its obligations with respect to the Minimum Purchase Requirements, Cayman may retain the Aerie Purchased Equipment as additional remedy for any such breach.

7.8. **Termination Fee.** Save where such termination results from a breach by Cayman of the terms of this Agreement (in which case no fee shall be payable), Aerie shall pay to Cayman a Termination Fee.

7.8.1. In the case of termination by Aerie prior to the expiry of the Initial Term pursuant to Section 7.4(i) or 7.4(ii), the Termination Fee shall be calculated [***].

7.8.2. In the case of termination by Aerie prior to the expiry of the Initial Term pursuant to Section 7.6, the Termination Fee shall be calculated [***].

7.8.3. Cayman shall use commercially reasonable efforts to re-allocate capacity to third parties and otherwise mitigate its losses.

7.8.4. In the event Cayman is able to re-allocate capacity to third parties per Section 7.8.3, Cayman shall refund to Aerie the applicable portion of the Termination Fee already paid for the number of months of the initial term that the dedicated GMP Suite will be re-allocated.

7.9. **Survival.** It is understood that termination or expiration of this Agreement shall not relieve a Party from any liability which, at the time of such termination or expiration, has already accrued to the other Party. The provisions of ARTICLE 1.0, ARTICLE 4.0, ARTICLE 5.0, ARTICLE 7.0, ARTICLE 8.0, ARTICLE 9.0, ARTICLE 10.0, and ARTICLE 11.0 shall survive the termination of this Agreement for any reason. Except as otherwise expressly provided in this Agreement, all other rights and obligations of the Parties shall cease upon termination of this Agreement.

ARTICLE 8.0 CONFIDENTIALITY AND EXCLUSIVITY

8.1. Confidential Information.

8.1.1. The Parties entered into a Confidentiality Agreement dated on April 1, 2011. The Parties acknowledge that the Confidential Information shared by them that is the subject matter of this Manufacture and Supply Agreement, as well as the original Confidentiality Agreement, continue to be a valuable and unique asset to both. For ease of reference, the Parties wish to reiterate the principles surrounding the manner by which Confidential Information will be shared by both Parties here and desire to continue to abide by these principles throughout this Manufacture and Supply Agreement.

8.1.2. "Confidential Information" shall mean information pertaining to Cayman's and/or Aerie's (i) intellectual property, including without limitation, patents, patent applications, copyrights, copyright applications and trade secrets and/or (ii) confidential information, including without limitation, ideas. Drug Master Files (DMF), synthetic procedures, analytical testing procedures and results, processes, and methods of production/manufacturing, new chemical entities, reagents, chemical compounds, assays, techniques, sketches, schematics, drawings, works of authorship, models, designs, inventions, know-how, technical documentation, processes, apparatuses, equipment, algorithms, software programs, software source documents, formulae, information concerning research projects, experimental work, development, design details and specifications, engineering and works in process, future developments relating to the current, future and proposed products and services, financial information, information relating to procurement requirements, purchasing, manufacturing, customer lists, product plans, product ideas, business strategies, marketing or business plans, financial or personnel matters, investors, employees, business and contractual relationships, business forecasts, sales and merchandising, and information regarding affiliates, third parties, suppliers, customers, employees or investors, whether in written, oral, graphic, or electronic form, synthetic procedures, processes, products methods of production/manufacturing and information regarding customers and materials. Confidential Information may be furnished to each other in written, graphic, or oral form, either directly or indirectly.

8.1.3. Confidential Information in this Agreement does not comprise the following:

8.1.3.1. Information that is now proven to be in the public domain or proven to subsequently have been entered in the public domain through legal means, and also without fault on the part of either Party.

8.1.3.2. Information that demonstrably was known to Cayman or Aerie prior to receipt from each other; or

8.1.3.3. Information that can be proven by Cayman or Aerie that has been received from any third party having a lawful right to disclose such information.

8.1.3.4. Information that can be proven by Cayman or Aerie that has been independently discovered or developed without the use of the other Party's information.

For the purpose of the provisions of this paragraph, disclosures made to Cayman and/or Aerie under this Agreement which are specific, for example, as to products, techniques, etc., shall not be deemed to be within the foregoing exceptions merely because they are embraced by general disclosures in the public domain or in the possession of Cayman or Aerie. In addition, any combination of features shall not be deemed to be within the foregoing exceptions merely because individual features are in the public domain or in the possession of Cayman or Aerie.

8.1.4. Cayman and Aerie agree to maintain secrecy of all Confidential Information. In this regard, Cayman and Aerie agree to disclose all necessary Confidential Information and to provide to only to those Cayman or Aerie officers and employees who are directly concerned with the use and evaluation of said Confidential Information for the purpose specified above and who are bound by the same secrecy obligations hereunder. Cayman and Aerie shall take all necessary and reasonable precautions to prevent such Confidential Information from being disclosed or provided to any unauthorized person, firm, or company.

8.1.5. The receiving Party shall, if so requested by any court of competent jurisdiction or any competent judicial, governmental, or regulatory body, be entitled to disclose to such body the Confidential Information requested provided that the receiving Party shall prior to such disclosure use its reasonable endeavors to inform the other Party of the full circumstances and the Confidential Information that will be disclosed and shall further only disclose that part of the Confidential Information requiring disclosure. If the receiving Party is unable to information the other before the Confidential Information is disclosed pursuant to this paragraph it shall to the extent permitted by law inform the other of the full circumstances of disclosure and the Confidential Information which has been disclosed immediately after the disclosure.

8.1.6. Cayman and Aerie agree not to use the other Party's Confidential Information for any reason other than for the Purpose stated above without first obtaining the other Party's express written consent.

8.1.7. If the recipient of the Confidential Information breaches any of the above provisions of this Agreement, the receiving Party agrees that the disclosing Party will suffer immediate and substantial damage and that monetary damages will not be an adequate remedy. Upon the occurrence of any such breach. Such injunctive relief, however, shall not preclude the disclosing party form seeking monetary damages arising out of such breach. In the event of a material breach by the receiving Party of this Agreement, the receiving Party agrees to pay any fees and expenses incurred by the disclosing Party enforcing this Agreement.

8.2. **No Use of Name.** Without the other Party's prior written consent, neither Party shall use the name, trademarks, or trade dress in any sales or advertising material, or otherwise disclose to any third party the fact that Cayman manufactures and supplies Product to Aerie or the identity or properties of such Product.

8.3. **Equitable Relief.** The Parties acknowledge that the unauthorized use or disclosure of the other party's Confidential Information may cause that Party irreparable harm and that money damages may be inadequate to compensate that Party for such harm. Accordingly, in addition to any other available remedies, that Party shall be entitled to seek equitable relief, including injunctive relief and/or specific performance, the granting of which shall not be subject to or conditioned upon any requirement of posting a bond or other security.

8.4. **Exclusivity**. In recognition of the substantial investment being made by Aerie in establishing the arrangements with Cayman contemplated by this Agreement, the development of substantial manufacturing know-how for the Product at Aerie's expense, Aerie's purchase of certain capital equipment, and the provision by Aerie of technical assistance, know-how and Confidential Information to facilitate the manufacture and supply of Product, Cayman agrees that it will not directly, or indirectly through a third party, manufacture, supply, or sell Product, Intermediates thereof, or any other product using or in any way derived from Aerie's Confidential Information, in any form to any person or entity other than Aerie or its designees for so long as this Agreement remains in effect.

ARTICLE 9.0 REPRESENTATIONS AND WARRANTIES

9.1. **Cayman.** Cayman represents and warrants that: (i) it has full power to enter into this Agreement; (ii) it has obtained all necessary corporate approvals to enter into and execute the Agreement; (iii) it has not entered and will not enter into any agreements with any third Party that are inconsistent with this Agreement; (iv) Cayman shall fully comply with the requirements of any and all applicable federal, state, local, and foreign laws, regulations, rules, and orders of any governmental body having jurisdiction over the activities contemplated by this Agreement; and (v) that the provisions of this Agreement, and the rights and obligations of the Parties hereunder, are enforceable against Cayman, subject to laws respecting creditors' rights and general principles of equity.

9.2. **Aerie.** Aerie represents and warrants that: (i) it has full power to enter into the Agreement; (ii) it has obtained all necessary corporate approvals to enter into and execute this Agreement; (iii) it has not entered and will not enter into any agreements of any third Party that are inconsistent with this Agreement; (iv) so far as it is aware as at the date of this Agreement the manufacture of the Product at the Facility does not infringe the Intellectual Property rights of any third party; and (v) Aerie shall fully comply with the requirements of any and all applicable local and foreign laws, regulations, rules, and orders of any governmental body having jurisdiction over the activities contemplated by this Agreement; and (vi) that the provisions of this Agreement, and the rights and obligations of the Parties hereunder, are enforceable against Aerie, subject to laws respecting creditors' rights and general principles of equity.

9.3. **Disclaimer.** EXCEPT AS PROVIDED IN THIS ARTICLE 9.0 AND ARTICLE 5.0 ABOVE, NEITHER PARTY MAKES ANY WARRANTIES OR CONDITIONS (EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE) WITH RESPECT TO THE SUBJECT MATTER HEREOF.

ARTICLE 10.0 INDEMNIFICATION

10.1. **Aerie.** Aerie shall indemnify, defend and hold harmless Cayman, their directors, officers, employees, agents, successors, and assigns from and against any liabilities, expenses, or costs (including reasonable attorneys' fees) arising out of any claim, complaint, suit, proceeding, or cause of action (collectively, "Claims") against any of them by a third party (whether alleging physical injury or death or otherwise) resulting from (i) the clinical testing of the finished dosage incorporating the Product by or on behalf of Aerie; (ii) manufacture and handling of the Product on behalf of Aerie and its Affiliates when in accordance with the safety data provided by Aerie to Cayman (iii) the safety of the finished dosage incorporating the Product distributed by or on

behalf Aerie; (iv) the promotion, distribution, sale, handling, possession, or use of the finished dosage incorporating the Product by or on behalf of Aerie following its or their acceptance thereof in accordance with Section 3.3 above; (v) an act or omission of Aerie that constitutes Gross Negligence or is intentionally wrongful; and (vi) any material breach by Aerie of its representations and warranties under Section 9.2 above, in each case subject to the requirements set forth in Section 10.3 below and except, in each case, to the extent that Cayman is obligated to indemnify Aerie for such Claim pursuant to Section 10.2.

10.2. **Cayman.** Cayman shall indemnify, defend and hold harmless Aerie and its Affiliates, their directors, officers, employees, agents, successors, and assigns from and against all liabilities, expenses, and costs (including reasonable attorneys' fees) arising out of any Claim, against any of them by a third party (whether alleging physical injury or death or otherwise) resulting from (i) an act or omission of Cayman that constitutes Gross Negligence or is intentionally wrongful; (ii) any loss of Product for which Cayman bears the risk under Section 2.7; and (iii) any breach by Cayman of any of its representations and warranties under Section 5.1 or 9.1, in each case subject to the requirements set forth in Section 10.3 below and except, in each case, to the extent that Aerie is obligated to indemnify Cayman for such Claim pursuant to Section 10.1).

10.3. **Indemnification Procedure.** Any Party seeking indemnification under this ARTICLE 10.0 (the "Indemnitee") shall promptly notify the indemnifying Party (the "Indemnitor") of such Claim, provided that any failure to so notify shall not affect a Party's right to indemnification except to the extent that such failure materially prejudices the ability of the Indemnitor to defend against such Claim. At the Indemnitee's option, the Indemnitee may (i) retain sole control over defense and settlement of the Claim, provided that Indemnitee shall not settle such Claim without the Indemnitor's prior consent, not to be unreasonably withheld; or (ii) provide the Indemnitor sole control over the defense and settlement thereof, provided that Indemnitor shall not settle such Claim without the Indemnitee's prior consent to the extent that such settlement requires any admission of liability or wrongdoing or the payment of any amount by Indemnitee. Without limiting the foregoing, with respect to Claims brought under Section 10.1 or 10.2 above and tendered to the Indemnitor pursuant to sub-section (ii) of the previous sentence: (i) at Indemnitor's request and expense, Indemnitee shall provide full information and reasonable assistance to Indemnitor with respect to such Claims; and (ii) Indemnitee, at its own expense, shall have the right to participate with counsel of its own choosing in the defense and/or settlement of any such Claim.

ARTICLE 11.0 GENERAL

11.1. **Assignment.** The Parties agree that their rights and obligations under this Agreement may not be assigned or otherwise transferred to a third party without the prior written consent of the other Parties hereto. Notwithstanding the foregoing, either Party may transfer or assign any or all of its rights and obligations under this Agreement: (i) to an Affiliate; or (ii) to a successor to all or substantially all of its business or assets relating to this Agreement whether by sale, merger, operation of law, or otherwise; provided that such assignee or transferee has agreed in writing addressed to the other Party to be bound by the terms and conditions of this Agreement; such agreement from the Affiliate or successor shall not be unreasonably withheld. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the Parties hereto, their successors, and assigns. Any purported assignment in violation of this Section 11.1 shall be null and void.

11.2. **Governing Law.** This Agreement shall be governed by and interpreted in accordance with the laws of State of Delaware, U.S.A. (without giving effect to any conflicts of laws rules thereof or of any other jurisdiction). Any dispute in relation to this Agreement shall be subject to the exclusive jurisdiction of the federal and state courts of the State of Delaware, U.S.A.

11.3. **Notices.** Any notice or report required or permitted to be given or made under this Agreement by either Party shall be in writing and delivered to the other Party at its address indicated below (or to such other address as a Party may specify by notice hereunder) by nationally recognized courier *(e.g.,* FedEx) or by registered or certified mail, postage prepaid. All notices shall be effective as of the date delivered to the addressee.

If to Aerie:

Aerie Distribution, Inc.
4301 Emperor Blvd.
Suite 400B
Durham, NC 27703, USA
Attn: VP, Manufacturing

CC:

Aerie Pharmaceuticals
135 US Highway 206
Suite 15
Bedminster, NJ 07921
Attn: General Counsel

If to Cayman:

Cayman Chemical Company, Inc.
1180 E. Ellsworth Road
Ann Arbor, MI 48108, USA
Attn: Shannon Stacey
CC: Carolyn Smith

11.4. **Limitation of Liability,** SUBJECT TO THE LIMITATIONS OF SECTION 5.2, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY OR ANY AFFILIATE FOR ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL, OR EXEMPLARY DAMAGES (INCLUDING, TO THE EXTENT INDIRECT, LOST OR ANTICIPATED REVENUES OR PROFITS RELATING TO THE SAME), ARISING FROM ANY CLAIM RELATING TO THIS AGREEMENT, WHETHER SUCH CLAIM IS BASED ON CONTRACT, TORT (INCLUDING NEGLIGENCE), OR OTHERWISE, EVEN IF AN AUTHORIZED REPRESENTATIVE OF SUCH PARTY IS ADVISED OF THE POSSIBILITY OR LIKELIHOOD OF SAME. THESE LIMITATIONS SHALL APPLY NOTWITHSTANDING THE FAILURE OF THE ESSENTIAL PURPOSE OF ANY LIMITED REMEDY, AND THE PARTIES ACKNOWLEDGE THAT THIS PARAGRAPH REPRESENTS A REASONABLE ALLOCATION OF RISK.

11.5. **Force Majeure.** None of the Parties will be liable for its failure to perform any of its obligations hereunder during any period in which such performance is delayed by acts of God, fire, war, embargo, riots, strikes, or other similar cause outside the control of such Party (a "Force Majeure Event"). In the event of either Party being so delayed or prevented from performing its obligations, such Party must:

11.5.1. give notice in writing of such delay or prevention to the other party as soon as reasonably possible stating the commencement date and extent of such delay or prevention, the cause of such delay or prevention, and its estimated duration;

11.5.2. use all reasonable endeavors to mitigate the effects of such delay or prevention upon the performance of its obligations under this Agreement; and

11.5.3. resume performance of its obligations as soon as reasonably possible after the removal of the cause of the delay or prevention.

11.6. If either Party is prevented from performing its obligations by a Force Majeure Event for more than sixteen (16) consecutive weeks (the "Affected Party"), the Affected Party shall be considered in breach of this agreement and subject to the terms of Section 7.2.

11.7. **Headings.** Headings included herein are for convenience only, do not form a part of this Agreement and shall not be used in any way to construe or interpret this Agreement.

11.8. **Non-Waiver.** Any waiver of the terms and conditions hereof must be explicitly in writing. The waiver by any of the Parties of any breach of any provision hereof by the others shall not be construed to be a waiver of any succeeding breach of such provision or a waiver of the provision itself.

11.9. **Severability.** Should any section or portion thereof of this Agreement (including the provisions of Section 8.4) be held invalid by reason of any law, statute, or regulation existing now or in the future in any jurisdiction by any court of competent authority or by a legally enforceable directive of any governmental body, such section or portion thereof shall be validly reformed so as to approximate the intent of the Parties as nearly as possible and render it enforceable to the maximum extent permitted by law and, if unreformable, shall be deemed divisible and deleted with respect to such jurisdiction, but the Agreement shall not otherwise be affected.

11.10. **Independent Contractors.** The relationship of Aerie and Cayman established by this Agreement is that of independent contractors. Nothing in this Agreement shall be construed to create any other relationship between Aerie and Cayman. Neither Party shall have any right, power, or authority to assume, create or incur any expense, liability, or obligation, express or implied, on behalf of the other.

11.11. **Entire Agreement.** The terms and provisions contained in the Agreement, including the Exhibits hereto, constitute the entire agreement between the Parties and shall supersede all previous communications, representations, agreements, or understandings, either oral or written, between the Parties with respect to the subject matter thereof. Notwithstanding the foregoing, no Party waives any rights it may have under the Supply Agreement. No agreement or understanding varying or extending this Agreement shall be binding upon any Party hereto, unless set forth in a writing which specifically refers to the Agreement signed by duly authorized officers or representatives of the respective Parties, and the provisions hereof not specifically amended thereby shall remain in full force and effect.

11.12. **Counterparts.** This Agreement may be executed in counterparts and by facsimile or other means of electronically imaging a signature, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have caused their duly authorized representatives to execute this Agreement.

Cayman Chemical Company, Inc.		**Aerie Distribution, Inc.**	
By:	**/s/ Shannon Stacey**	**By:**	**/s/ Tom Mitro**
	Shannon Stacey		**Tom Mitro**
	VP Quality and Regulatory Affairs		
Date:	**20 Apr 2018**	**Date:**	**20-Apr-2018 18:10 EDT**

Cayman Chemical Company, Inc.		**Aerie Distribution, Inc.**	
By:	**/s/ Peter D. Baldwin**	**By:**	**/s/ Rich Rubino**
	Peter D. Baldwin		**Rich Rubino**
	Chief Financial Officer		
Date:	**20 Apr 2018**	**Date:**	**20-Apr-2018 18:17 EDT**

Manufacture and Supply Agreement

EXHIBIT A

Cayman Specifications

Aerie API	Specification
AR-13324	Material Specification Sheet AD126 MAT

This Exhibit A is agreed to by the Parties with an effective date of 01 January 2018.

Cayman Chemical Company, Inc.		**Aerie Distribution, Inc.**	
By:	**/s/ Shannon Stacey**	**By:**	**/s/ Tom Mitro**
	Shannon Stacey		**Tom Mitro**
	VP Quality and Regulatory Affairs		
Date:	**20 Apr 2018**	**Date:**	**20-Apr-2018 18:10 EDT**

Cayman Chemical Company, Inc.		**Aerie Distribution, Inc.**	
By:	**/s/ Peter D. Baldwin**	**By:**	**/s/ Rich Rubino**
	Peter D. Baldwin		**Rich Rubino**
	Chief Financial Officer		
Date:	**20 Apr 2018**	**Date:**	**20-Apr-2018 18:17 EDT**

Manufacture and Supply Agreement

EXHIBIT B

Minimum Purchase Requirements

Year	Minimum Quantity	Price per Kilogram[1,2]
2018	[***] kg	Up to Minimum Quantity for applicable Year: $[***]/kg In excess of Minimum Quantity for applicable Year: $[***]/kg
2019	[***] kg	
2020	[***] kg	
2021	[***] kg	
2022	[***] kg	

[1] *Invoiced amounts will be reflective of the quantity purchased to the nearest hundredth of a kilogram.*
[2] *Aerie will be credited $[***] per each Aerie purchased [***].*
[3] *If [***] Starting materials are used, Aerie will be credited $[***] per kg of API.*

For purposes of clarity the per kilogram price for the minimum quantity ordered in any single year shall be $[***]/kg. After reaching this threshold, the per kilogram price shall be $[***]/kg.

Payment Schedule

Milestone	Milestone Payment
Receipt of PO	Fifty Percent (50%) of the Price based on the ordered Quantity on the PO
QA Release of Product	Balance of the Price due based on the Total Yield of the applicable Batch

This Exhibit may be reviewed annually; the first such review period shall be the third quarter of 2019, and the third quarter of subsequent years. Review may be requested by either Party in the event of a significant change in process yield. If such review results in changes to the Price per Kilogram a corresponding change to the Minimum Quantity is merited.

[Signatures on the following page.]

Manufacture and Supply Agreement

This Exhibit B is agreed to by the Parties with an effective date of 01 January 2018.

Cayman Chemical Company, Inc.		**Aerie Distribution, Inc.**	
By:	**/s/ Shannon Stacey**	**By:**	**/s/ Tom Mitro**
	Shannon Stacey		**Tom Mitro**
	VP Quality and Regulatory Affairs		
Date:	**20 Apr 2018**	**Date:**	**20-Apr-2018 18:10 EDT**

Cayman Chemical Company, Inc.		**Aerie Distribution, Inc.**	
By:	**/s/ Peter D. Baldwin**	**By:**	**/s/ Rich Rubino**
	Peter D. Baldwin		**Rich Rubino**
	Chief Financial Officer		
Date:	**20 Apr 2018**	**Date:**	**20-Apr-2018 18:17 EDT**

EXHIBIT C

Starting Materials Usage:

Starting Material	[***][1]
[***]	[***]

[1]*Usage is based on the material that passes the SM specification following any applicable reprocessing.*

Starting Material Purification Yield:

Starting Material	**Minimum Yield Targets[1] for Purification of Starting Materials**
[***]	[***]%
[***]	[***]%

[1]*Minimum Yield Target quantities are based on the assumption that the material received from the Aerie vendor is typical of material received and within specifications.*

This Exhibit C is agreed to by the Parties with an effective date of 01 January 2018.

Cayman Chemical Company, Inc.		**Aerie Distribution, Inc.**	
By:	**/s/ Shannon Stacey**	**By:**	**/s/ Tom Mitro**
	Shannon Stacey		**Tom Mitro**
	VP Quality and Regulatory Affairs		
Date:	**20 Apr 2018**	**Date:**	**20-Apr-2018 18:10 EDT**

Cayman Chemical Company, Inc.		**Aerie Distribution, Inc.**	
By:	**/s/ Peter D. Baldwin**	**By:**	**/s/ Rich Rubino**
	Peter D. Baldwin		**Rich Rubino**
	Chief Financial Officer		
Date:	**20 Apr 2018**	**Date:**	**20-Apr-2018 18:17 EDT**

EXHIBIT D

Aerie Equipment

- [***] Reactor [***] (CAY15038)
- [***] (CAY15028)
- [***] (CAY15031)
- [***] Nutsch Filter and Spray Ball [***] (CAY15039)
- [***] Purified Water System (CAY15032)
- [***]
- Vacuum Oven (CAY15021)
- [***] Vacuum Pump (CAY15049)
- [***] Vacuum Pump (CAY15037)
- [***] Pneumatic Diaphragm Pumps (2)
- [***] Diaphragm Pump [***]
- [***] Desiccant Cabinet (CAY14033)
- [***] Data Acquisition and probes (CAY15083)
- [***] Precision Balance (CAY15022)
- [***] Precision Balance (CAY15023)
- [***] Precision Balance (CAY15026)
- [***] Wheeled Scale (CAY15025)
- [***] Stainless Steel Glove Box (CAY15046)
- [***] Temperature and Humidity Probes, Quantity 5
- [***] Gas Scrubber (CAY15050)
- [***] Freezer (CAY17034)
- [***] Filter Housing (CAY16036)
- [***] Mechanical Platform
- [***] (TBD)
- [***] (TBD)

[Signatures on the following page.]

Manufacture and Supply Agreement

This Exhibit D is agreed to by the Parties with an effective date of 01 January 2018.

Cayman Chemical Company, Inc.		**Aerie Distribution, Inc.**	
By:	**/s/ Shannon Stacey**	**By:**	**/s/ Tom Mitro**
	Shannon Stacey		**Tom Mitro**
	VP Quality and Regulatory Affairs		
Date:	**20 Apr 2018**	**Date:**	**20-Apr-2018 18:10 EDT**

Cayman Chemical Company, Inc.		**Aerie Distribution, Inc.**	
By:	**/s/ Peter D. Baldwin**	**By:**	**/s/ Rich Rubino**
	Peter D. Baldwin		**Rich Rubino**
	Chief Financial Officer		
Date:	**20 Apr 2018**	**Date:**	**20-Apr-2018 18:17 EDT**

Exhibit 31.1

CERTIFICATION

I, Vicente Anido, Jr., Ph.D., certify that:

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

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

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

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

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

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

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

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

Date: November 7, 2018

/s/ VICENTE ANIDO, JR., PH.D.

Vicente Anido, Jr., Ph.D.
Chief Executive Officer, Chairman of the Board
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Richard J. Rubino, certify that:

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

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

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

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

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

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

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

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

Date: November 7, 2018

/s/ RICHARD J. RUBINO

Richard J. Rubino

Chief Financial Officer

(Principal Financial and Accounting Officer)

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 filing of the Quarterly Report on Form 10-Q of Aerie Pharmaceuticals, Inc., a Delaware corporation (the "Company"), for the period ended September 30, 2018 (the "Report"), the undersigned, Vicente Anido, Jr., Ph.D., Chief Executive Officer and Chairman of the Board of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 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, as amended; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2018

/s/ VICENTE ANIDO, JR., PH.D.

Vicente Anido, Jr., Ph.D.
Chief Executive Officer, Chairman of the Board
(Principal Executive Officer)

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 filing of the Quarterly Report on Form 10-Q of Aerie Pharmaceuticals, Inc., a Delaware corporation (the "Company"), for the period ended September 30, 2018 (the "Report"), the undersigned, Richard J. Rubino, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, 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, as amended; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2018

/s/ RICHARD J. RUBINO

Richard J. Rubino
Chief Financial Officer
(Principal Financial and Accounting Officer)