

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 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 001-38161

Calyxt, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

001-38161
(Commission
File Number)

27-1967997
(IRS Employer
Identification Number)

600 County Road D West, Suite 8
New Brighton, MN 55112
(Address of Principal Executive Offices)

(651) 683-2807
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 (check one):

Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer
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 May 7, 2018, there were 28,020,786 shares of common stock, \$0.0001 par value per share, outstanding.

<u>PART I. FINANCIAL INFORMATION</u>	5
<u>Item 1. Financial Statements</u>	5
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	23
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	34
<u>Item 4. Controls and Procedures Internal</u>	34
<u>PART II. OTHER INFORMATION</u>	35
<u>Item 1. Legal Proceedings</u>	35
<u>Item 1A. Risk Factors</u>	35
<u>Item 5. Other Information</u>	35
<u>Item 6. Exhibits</u>	36
<u>SIGNATURE</u>	37

Terms

When we use the terms “we,” “us,” the “Company,” or “our” in this report, unless the context otherwise requires, we are referring to Calyxt, Inc. When we use the term “Collectis” we are referring to Collectis S.A., our parent company.

The name and trademark, “Collectis®” and “TALLEN®”, and other trademarks, trade names and service marks of Collectis appearing in this Quarterly Report on Form 10-Q are the property of Collectis. We own the name and trademark, “Calyxt™”, and own or license other trademarks, trade names and service marks of Calyxt appearing in this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q also contains additional trade names, trademarks and service marks belonging to other companies. We do not intend our use or display of other parties’ trademarks, trade names or service marks to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Securities Exchange Act).

We have made these forward-looking statements in reliance on the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue,” the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, our anticipated growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events.

There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including, without limitation, factors relating to:

- Our limited operating history;
- Our lack of commercial products and our inexperience with the commercialization of product candidates;
- Our incurrence of significant losses since our inception and likelihood that we will continue to incur significant losses for the foreseeable future;
- Our reliance on contractual counterparties;
- Significant competition from competitors with substantially greater resources than us;
- Public perceptions of genetically engineered products and ethical, legal, environmental, health and social concerns;
- Uncertain and evolving regulatory requirements within and outside of the United States;
- Government policies and regulations affecting the agricultural sector and related industries;
- Commodity prices and other market risks facing the agricultural sector;
- Our product development efforts use complex integrated technology platforms and require substantial time and resources;
- Our success in obtaining or maintaining necessary rights to product components and processes for our development pipeline through acquisitions and in-licenses;
- Our reliance on gene-editing technologies that may become obsolete in the future;
- Our need to raise additional funding and the availability of additional capital or capital on acceptable terms;
- Our reliance on third parties in connection with our field trials and research services;
- The recognition of value in our products by farmers, and the ability of farmers and food processors to work effectively with our crops;
- Our ability to produce high-quality plants and seeds cost-effectively on a large scale;
- Our ability to accurately forecast demand for our products;
- The needs of food manufacturers and the recognition of shifting consumer preferences;
- Adverse natural conditions and the highly seasonal and weather-sensitive nature of our business;
- Our exposure to product liability claims;
- The geographic concentration of our business activities;
- Our ability to use net operating losses to offset future taxable income;
- The adequacy of our patents and patent applications;

- Our licensing of intellectual property from Collectis and reliance on Collectis to prosecute, maintain, defend or enforce such intellectual property;
- Uncertainty relating to our patent positions that involve complex scientific, legal and factual analysis;
- The limited lifespan of our patents and limitations in intellectual property protection in some countries outside the United States;
- Developments in patent and other intellectual property law;
- Our ability to identify relevant third-party patents and to interpret the relevance, scope and expiration of third party patents;
- Potential assertions of infringement, misappropriation or other violations of intellectual property rights, including licensing agreements;
- Loss or damage to our germplasm libraries;
- Our ability to retain and attract senior management and key employees;
- Our relationship with Collectis, our controlling stockholder, and its ability to control the direction of our business;
- Our being a “controlled company” and, as a result, qualifying for, and intending to rely on, exemptions from certain corporate governance requirements;
- Our status as an emerging growth company; and
- Those factors discussed under the caption entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the U.S. Securities and Exchange Commission, or the SEC, on March 14, 2018 (our Annual Report).

While the list of factors presented here is considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles to the realization of forward-looking statements. Consequences of material differences in results as compared with those anticipated in the forward-looking statements could include, among other things, business disruption, operational problems, financial loss, legal liability to third parties and similar risks, any of which could have a material adverse effect on our financial condition, results of operations, credit rating or liquidity. Therefore, you should not rely on any of these forward-looking statements.

Any forward-looking statement made by us in this Quarterly Report on Form 10-Q is based only on information currently available to us and speaks only as of the date of this report. We do not assume any obligation to publicly provide revisions or updates to any forward-looking statements after the date of this Quarterly Report on Form 10-Q, whether as a result of new information, future developments or otherwise, should circumstances change, except as otherwise required by securities and other applicable laws.

Market Data

Unless otherwise indicated, information contained in this Quarterly Report on Form 10-Q concerning our industry and the markets in which we operate is based on information from various sources, including independent industry publications. In presenting this information, we have also made assumptions based on such data and other similar sources, and on our knowledge of, and our experience to date in, the potential markets for our product. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section entitled “Risk Factors” in our Annual Report. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

Website Disclosure

We use our website (www.calyxt.com) and our corporate Twitter account (@Calyxt_Inc) as routine channels of distribution of company information, including press releases, analyst presentations, and supplemental financial information, as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Accordingly, investors should monitor our website and our corporate Twitter account in addition to following press releases, filings with the SEC, and public conference calls and webcasts. Additionally, we provide notifications of announcements as part of our website. Investors and others can receive notifications of new press releases posted on our website by signing up for email alerts.

None of the information provided on our website, in our press releases or public conference calls and webcasts or through social media is incorporated into, or deemed to be a part of, this Quarterly Report on Form 10-Q or in any other report or document we file with the SEC, and any references to our website or our corporate Twitter account are intended to be inactive textual references only.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Calyxt, Inc.
Condensed Balance Sheets
(Amounts in Thousands, Except Share Data and Per Share Data)

	<u>March 31,</u> <u>2018</u> <small>(unaudited)</small>	<u>December 31,</u> <u>2017</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 50,703	\$ 56,664
Trade accounts receivable	—	—
Due from related parties	47	167
Prepaid expenses and other current assets	2,080	626
Total current assets	<u>52,830</u>	<u>57,457</u>
Property and equipment, net	18,767	14,353
Other long-term assets	270	357
Total assets	<u>\$ 71,867</u>	<u>\$ 72,167</u>
Liabilities and stockholders' equity		
Current liabilities:		
Due to related parties	\$ 742	\$ 1,350
Accounts payable	441	1,023
Accrued salaries, wages, and other compensation	490	945
Accrued liabilities	1,256	893
Current deferred revenue	43	43
Total current liabilities	<u>2,972</u>	<u>4,254</u>
Non-current deferred revenue	278	289
Finance lease obligations	<u>14,757</u>	<u>10,148</u>
Total liabilities	<u>18,007</u>	<u>14,691</u>
Stockholders' equity:		
Common stock, \$0.0001 par value; 275,000,000 shares authorized, 27,954,781 and 27,718,780 shares issued and outstanding as of March 31, 2018 and December 31, 2017, respectively	<u>3</u>	<u>3</u>
Preferred stock, \$0.0001 par value; 50,000,000 shares authorized, no shares issued or outstanding as of March 31, 2018 and December 31, 2017, respectively	—	—
Additional paid-in capital	112,775	112,021
Accumulated deficit	<u>(58,918)</u>	<u>(54,548)</u>
Total stockholders' equity	<u>53,860</u>	<u>57,476</u>
Total liabilities and stockholders' equity	<u>\$ 71,867</u>	<u>\$ 72,167</u>

See accompanying notes to the Unaudited Condensed Financial Statements.

Calyxt, Inc.
Condensed Statements of Operations

(Amounts in Thousands except Shares Outstanding and Per Share Amounts)

	Three Months Ended March 31	
	2018	2017
	(unaudited)	
Revenue	\$ 11	\$ 55
Operating expenses:		
Cost of revenue	—	—
Research and development	1,093	1,266
Selling, general, and administrative	3,214	1,578
Total operating expenses	<u>4,307</u>	<u>2,844</u>
Loss from operations	(4,296)	(2,789)
Interest expense, net	(68)	(14)
Foreign currency transaction loss	(6)	(29)
Loss before income taxes	(4,370)	(2,832)
Income tax expense	—	—
Net loss	<u>\$ (4,370)</u>	<u>\$ (2,832)</u>
Basic and diluted loss per share	<u>\$ (0.16)</u>	<u>\$ (0.14)</u>
Weighted average shares outstanding—basic and diluted	<u>27,851,162</u>	<u>19,600,000</u>

See accompanying notes to the Unaudited Condensed Financial Statements.

Calyxt, Inc.
Condensed Statement of Stockholders' Equity
(Amounts in Thousands except Shares Outstanding)

	<u>Shares Outstanding</u>	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
Balances at December 31, 2017	27,718,780	\$ 3	\$112,021	\$ (54,548)	\$ 57,476
Net loss	—	—	—	(4,370)	(4,370)
Common shares issued upon exercise of options and other	236,001	—	714	—	714
Stock-based compensation	—	—	40	—	40
Balances at March 31, 2018 (unaudited)	<u>27,954,781</u>	<u>\$ 3</u>	<u>\$112,775</u>	<u>\$ (58,918)</u>	<u>\$ 53,860</u>

See accompanying notes to the Unaudited Condensed Financial Statements.

Calyxt, Inc.
Condensed Statements of Cash Flows
(Amounts in Thousands)

	Three Months Ended	
	March 31,	
	2018	2017
	<small>(unaudited)</small>	
Operating activities		
Net loss	\$ (4,370)	\$(2,832)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	156	133
Stock-based compensation	40	134
Unrealized transaction gain (loss) on related party activity	8	(27)
Changes in operating assets and liabilities:		
Trade accounts receivable	—	110
Due to/from related parties	(496)	490
Prepaid expenses and other assets	(880)	(426)
Accounts payable	(581)	337
Accrued salaries, wages, and other compensation	(456)	(89)
Accrued liabilities	25	418
Deferred revenue	(11)	45
Net cash used in operating activities	(6,565)	(1,707)
Investing activities		
Purchases of property and equipment	(41)	(312)
Net cash used in investing activities	(41)	(312)
Financing activities		
Deferred costs	(69)	—
Proceeds from the exercise of stock options	714	—
Net cash provided by financing activities	645	—
Net decrease in cash and cash equivalents	(5,961)	(2,019)
Cash and cash equivalents—beginning of period	56,664	5,026
Cash and cash equivalents—end of period	\$50,703	\$ 3,007
Supplemental cash flow information		
Interest paid	124	14
<i>Supplemental non-cash investing and financing transactions:</i>		
Property and equipment included in financing lease obligation	4,529	—
Deferred costs in accounts payable and accrued liabilities	417	

See accompanying notes to the Unaudited Condensed Financial Statements.

Calyxt, Inc.
Notes to Condensed Financial Statements
(unaudited)

1. Nature of Business

Calyxt, Inc., formerly known as Collectis Plant Sciences, Inc., was founded in 2010 and incorporated in Delaware. The Company is headquartered in New Brighton, Minnesota. The Company is a consumer-centric, food- and agriculture-focused company. Prior to the Company's initial public offering (IPO) on July 25, 2017, Calyxt was a wholly owned subsidiary of Collectis. As of March 31, 2018, Collectis owned approximately 79.1% of the Company's outstanding common stock. Calyxt's common stock is listed on the Nasdaq market under the ticker symbol "CLXT".

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and related notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included in the accompanying financial statements. The results of operations for the period ended March 31, 2018 are not necessarily indicative of the results that may be expected for the full year.

This interim information should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the SEC on March 14, 2018 (the Annual Report).

Initial Public Offering

On July 25, 2017, the Company completed an IPO of its common stock. The Company sold an aggregate of 8,050,000 shares of common stock at a price of \$8.00 per share, including 1,050,000 shares of common stock pursuant to the exercise of the underwriters' option to purchase additional shares. In the aggregate, the Company received net proceeds from the IPO and exercise of the overallotment option of approximately \$58.0 million, after deducting underwriting discounts and commissions of \$3.1 million and offering expenses totaling approximately \$3.3 million. As part of the IPO, Collectis purchased 2,500,000 shares of common stock for a value of \$20.0 million, the proceeds of which are included in the net proceeds of approximately \$58.0 million. The Company used \$5.7 million of the proceeds from Collectis to pay a portion of the outstanding obligations owed to Collectis.

Stock Splits

On June 14, 2017, pursuant to the authorization provided in a written consent in lieu of a special meeting of the Company, the Company effected a stock split of the Company's common stock at a ratio of 100-for-1 and increased the number of shares of common stock authorized for issuance to 30,000,000 by filing a Certificate of Amendment with the Secretary of State of the State of Delaware.

On July 25, 2017, the Company amended its Amended and Restated Certificate of Incorporation to increase the authorized capital stock of the Company to 325,000,000 shares of which 275,000,000 shares are designated common stock, par value \$0.0001, and 50,000,000 shares are designated preferred stock, par value \$0.0001.

On July 25, 2017, concurrently with the closing of the IPO, the Company effected a stock split of the Company's common stock at a ratio of 2.45-for-1. As a result of the stock split, each share of issued and outstanding common stock was converted into 2.45 shares of issued and outstanding common stock without changing the par value per share.

Since the par value of the common stock remained at \$0.0001 per share subsequent to each stock split, the value of common stock recorded to the Company's balance sheets has been retroactively increased to reflect the par value of the increased number of outstanding shares, with a corresponding decrease to additional paid-in capital. All share and per share data for periods occurring prior to the stock split that are included in the financial statements and related notes have been retroactively restated to reflect the stock splits.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates, including those related to stock-based compensation and the valuation allowance for deferred tax assets and derivatives. The Company bases its estimates on historical experience and on various other market-specific and relevant assumptions that it believes to be reasonable under the circumstances. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and term deposits with original maturities of three months or less. The carrying value of these instruments approximate fair value. The balances, at times, may exceed federally insured limits. The Company has not experienced any losses on its cash and cash equivalents.

Trade Accounts Receivable

Accounts receivable are unsecured, are recorded at net realizable value, and do not bear interest. The Company makes judgments as to its ability to collect outstanding receivables based upon patterns of collectability, historical experience, and management's evaluation of specific accounts and will provide an allowance for credit losses when collection becomes doubtful. The Company performs credit evaluations of its customers' financial condition on an as-needed basis. Payment is generally due 30 days from the invoice date, and accounts past 30 days are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against the related allowance.

The Company had no trade accounts receivables as of March 31, 2018 or December 31, 2017.

Prepaid Expenses and Other Current Assets

Other current assets represent prepayments, research and development (R&D) tax credits, deferred costs, purchased seed contracts and deposits made by the Company.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed based upon the estimated useful lives of the respective assets. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the assets. Repairs and maintenance costs are expensed as incurred. The cost and accumulated depreciation of property and equipment retired, or otherwise disposed of, are removed from the related accounts, and any residual values are charged to expense. Depreciation expense has been calculated using the following estimated useful lives:

Buildings and other improvements	10–20 years
Leasehold improvements	Remaining lease period
Office furniture and equipment	5–7 years
Computer equipment and software	3–5 years

Leases

Leases are classified as either finance or operating leases, with such classification affecting the pattern of expense recognition in the income statement. In September 2017, the Company entered into a financing lease with respect to the Company's new corporate headquarters. Refer to Note 10 for more detail.

Long-Lived Assets

Management reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. If the impairment tests indicate that the carrying value of the asset, or asset group is greater than the expected undiscounted cash flows to be generated by such asset or asset group, further analysis is performed to determine the fair value of the asset or asset group. To the extent the fair value of the asset or asset group is less than its carrying value, an impairment loss is recognized equal to the amount the carrying value exceeds the fair value of the asset or asset group. Assets to be disposed of are carried at the lower of their carrying value or fair value less costs to sell.

There have been no impairment losses recognized for the three months ended March 31, 2018 or March 31, 2017.

Fair Value of Financial Instruments

Pursuant to the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, the Company's financial assets and liabilities measured at fair value on a recurring basis are classified and disclosed in one of the following three categories:

Level 1—Financial instruments with unadjusted quoted prices listed on active market exchanges.

Level 2—Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms, as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3—Financial instruments that are not actively traded on a market exchange. This category includes situations in which there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

The Company has derivative instruments that are classified as Level 2. The Company does not have any financial instruments classified as Level 3, and there were no movements between these categories during the three months ended March 31, 2018 or March 31, 2017.

	Fair Value Measurements at March 31, 2018 (in thousands)			Net Balance
	Level 1	Level 2	Level 3	
Asset at Fair Value:				
Forward purchase contracts	—	\$ 78	—	\$ 78
Total Assets at Fair Value	<u>—</u>	<u>\$ 78</u>	<u>—</u>	<u>\$ 78</u>
Liabilities at Fair Value				
Forward purchase contracts	—	\$ 1	—	\$ 1
Total Liabilities at Fair Value	<u>—</u>	<u>\$ 1</u>	<u>—</u>	<u>\$ 1</u>

	Fair Value Measurements at December 31, 2017, (in thousands)			Net Balance
	Level 1	Level 2	Level 3	
Asset at Fair Value:				
Forward purchase contracts	—	\$ 3	—	\$ 3
Total Assets at Fair Value	—	\$ 3	—	\$ 3
Liabilities at Fair Value				
Forward purchase contracts	—	\$ 4	—	\$ 4
Total Liabilities at Fair Value	—	\$ 4	—	\$ 4

Forward Purchase Contracts and Derivatives

The Company enters into supply agreements for grain and seed production with settlement values based on commodity market futures pricing. The Company accounts for these derivative financial instruments utilizing the authoritative guidance in ASC Topic 815, *Derivatives and Hedging*. Realized gains and losses from derivative contracts are recorded as R&D expenses as a result of breeding contract activity. The fair value for forward purchase contracts is estimated based on exchange-quoted prices.

Unrealized gains and losses on all derivative contracts are recorded in other current assets or other current liabilities on the balance sheet at fair value. The gains and losses recorded by the Company are not significant for the three months ended March 31, 2018 or 2017.

The table below summarizes the carrying value of derivative instruments as of March 31, 2018 and December 31, 2017.

Derivatives not designated as hedging instruments under ASC Topic 815	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Fair Value		Balance Sheet Location	Fair Value	
		March 31, 2018	December 31, 2017		March 31, 2018	December 31, 2017
		(in thousands)			(in thousands)	
Forward purchase contracts	Prepaid expenses and other current assets	\$ 78	\$ 3	Accrued Liabilities—current	\$ 1	\$ 4
Total derivatives		\$ 78	\$ 3		\$ 1	\$ 4

Patents

The Company expenses patent costs, including related legal costs, as incurred. Costs to write, maintain, in-license, and defend patents are recorded as selling, general and administrative expenses in the statements of operations. Costs to support the research for filing patents are recorded as research and development expenses in the statements of operations.

Revenue Recognition

The Company enters into R&D agreements that may consist of nonrefundable up-front payments, milestone payments, royalties, and R&D Services. In addition, the Company may license its technology to third parties, which may be part of the R&D agreements.

For agreements that contain multiple elements, each element within a multiple-element arrangement is accounted for as a separate unit of accounting provided the following criteria are met: the delivered products or services have value to the customer on a standalone basis and, for an arrangement that includes a general right of return relative to the delivered products or services, delivery, or performance of the undelivered product or service is considered probable and is substantially controlled by the Company. The Company considers a deliverable to have standalone value if the product or service is sold separately by the Company or another vendor or could be resold by the customer. Further, the Company's revenue arrangements do not include a general right of return relative to the delivered products.

Nonrefundable up-front payments are deferred and recognized as revenue over the period of the R&D agreement. If an R&D agreement is terminated before the original term of the agreement is fulfilled, all the remaining deferred revenue is recognized at the date of termination.

Milestone payments represent amounts received from the Company's R&D partners, the receipt of which is dependent upon the achievement of certain scientific, regulatory, or commercial milestones. The Company recognizes milestone payments when the triggering event has occurred, there are no further contingencies or services to be provided with respect to that event, and the counterparty has no right to refund of the payment. The triggering event may be scientific results achieved by the Company or another party to the arrangement, regulatory approvals, or the marketing of products developed under the arrangement.

Royalty revenue arises from the Company's contractual entitlement to receive a percentage of product sales revenues achieved by counterparties. Royalty revenue is recognized on an accrual basis in accordance with the terms of the agreement when sales can be determined reliably and there is reasonable assurance that the receivables from outstanding royalties will be collected.

License revenue from licenses that were granted to third parties is recognized ratably over the period of the license agreements. Revenue from R&D services is recognized over the period the R&D services are performed. No new revenue arrangements were entered into during the three months ended March 31, 2018.

Cost of Revenue

Cost of revenue relates to the performance of services or contract research and consists of direct external expenses relating to projects and internal costs, including overhead allocated on a full-time equivalent basis.

Research and Development

R&D expenses represent costs incurred for the development of various products using licensed gene editing technology, including expenses allocated to Calyxt by Collectis. R&D expenses consist primarily of salaries, stock compensation and related costs of the Company's scientists, in-licensing of technology, consumables, property and equipment depreciation, and fees paid to third-party consultants. All research and development costs are expensed as incurred.

The Company in-licenses certain technology from third-parties that is a component of ongoing research and product development. The Company expenses up-front license fees upon contracting due to the uncertainty of future commercial value, as well as expensing any ongoing annual fees when incurred.

Stock-Based Compensation

The Company measures employee and nonemployee stock-based awards at grant-date fair value and records compensation expense using the accelerated attribution method over the vesting period of the award. Stock-based awards issued to nonemployees are remeasured until the award vests. The Company uses the Black-Scholes option pricing model to value its stock option awards. Estimating the fair value of stock option awards requires management to apply judgment and make estimates, including the volatility of the Company's common stock, the expected term of the Company's stock options, the expected dividend yield and the fair value of the Company's common stock on the measurement date. The Company accounts for forfeitures as they occur, rather than estimating expected forfeitures.

The expected term of stock options is estimated using the "simplified method" for employee options as the Company has no historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior for its stock option grants. The simplified method is based on the average of the vesting tranches and the contractual life of each grant. For options granted to nonemployees, the Company uses the remaining contractual life. For stock price volatility, the Company uses comparable public companies as a basis for its expected volatility to calculate the fair value of option grants. The Company assumes no dividend yield because dividends are not expected to be paid in the near future, which is consistent with the Company's history of not paying dividends. The risk-free interest rate is based on U.S. Treasury notes with a term approximating the expected life of the option.

Foreign Currency Transactions

Transactions in foreign currencies are remeasured into the Company's functional currency, U.S. dollars, at the exchange rates effective at the transaction dates. Assets and liabilities denominated in foreign currencies at the reporting date are remeasured into the functional currency using the exchange rate effective at that date.

Income Taxes

Current income taxes are recorded based on statutory obligations for the current operating period for the jurisdictions in which the Company has operations.

Deferred taxes are provided on an asset and liability method, whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The tax effects from an uncertain tax position can be recognized in the financial statements only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. Calyxt recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon settlement with the relevant tax authority. The Company is subject to income taxes in U.S. federal and state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for years ending prior to 2013. In the event of any future tax assessments, the Company's accounting policy is to record the income taxes and any related interest or penalties as current income tax expense on the statements of operations.

Recently Issued Accounting Pronouncements

As an emerging growth company, the Company has elected to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Securities Exchange Act.

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which creates ASC Topic 606, *Revenue from Contracts with Customers*, and supersedes the revenue

recognition requirements in ASC Topic 605, *Revenue Recognition*. The guidance in ASU 2014-09 and subsequently issued amendments ASU 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*; ASU 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*; and ASU 2016-12, *Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients*, outlines a comprehensive model for all entities to use in accounting for revenue arising from contracts with customers, as well as required disclosures. Entities have the option of using either a full retrospective or modified approach to adopt the new guidance. For public entities, certain not-for-profit entities, and certain employee benefit plans, the new revenue standard is effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period. For all other entities, the new revenue standard is effective for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted. The adoption of this standard is not expected to have a material effect on the Company as the Company currently has insignificant revenues from previously entered R&D contracts. The Company expects to recognize revenues when its first product is commercialized. The impact of adoption of the standard may be more significant once products are commercialized.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance requires that lessees recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. The amendment also requires disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative information. For public entities, not-for-profit entities, or employee benefit plans, ASU 2016-02 is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. For all other entities, ASU 2016-02 is effective for annual periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. Early adoption is permitted. The Company is evaluating the impact of adopting this pronouncement.

In May 2017, the FASB issued ASU 2017-09, “*Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*”, which clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The Company adopted the standard during the first quarter of 2018 and it did not have a material impact on the Company.

3. Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, and trade accounts receivable.

Cash and cash equivalents concentration—The Company holds cash balances at financial institutions that, at times, may exceed federally insured limits. The Company evaluates the creditworthiness of these financial institutions in determining the risk associated with these deposits. Calyxt has not experienced any losses on such accounts.

Trade accounts receivable concentration—The Company had no trade accounts receivables as of March 31, 2018 and December 31, 2017.

Revenue concentration—For the three months ended March 31, 2018, 3 customers accounted individually for 80%, 15% and 5%, of revenue, respectively. For the three months ended March 31, 2017, three customers accounted individually for 50%, 30% and 16% of revenue, respectively.

4. Property and Equipment

Property and equipment consists of the following:

<i>(Amounts in Thousands)</i>	As of March 31, 2018	As of December 31, 2017
Land	\$ 5,690	\$ 5,690
Buildings and other improvements	4,414	4,414
Leasehold improvements	169	169
Office furniture and equipment	1,925	1,672
Computer equipment and software	20	20
Assets under construction	7,988	3,671
	<u>20,206</u>	<u>15,636</u>
Less accumulated depreciation	(1,439)	(1,283)
Property and equipment, net	<u>\$ 18,767</u>	<u>\$ 14,353</u>

As of March 31, 2018, the Company recorded \$8.0 million in assets under construction which consists of site improvements and architect fees related to construction of the Company's new corporate headquarters, of this amount, \$7.6 million was funded by the lease obligation pursuant to the sale-leaseback transaction described in Note 10. At completion, the completed asset will be capitalized and depreciated over the term of the lease.

Depreciation expense was \$156 thousand and \$133 thousand for the three months ended March 31, 2018 and 2017, respectively.

5. Related-Party Transactions

Due from related parties consists of receivables due from another subsidiary of Collectis related to payroll services provided by Calyxt to this other subsidiary of Collectis.

Due to related parties consists of license fees, amounts owed under the intercompany management agreement, and interest charged on outstanding amounts. Amounts due to Collectis that are included in due to related parties on the balance sheet bear interest at a rate of the European Interbank Offered Rate for 12 months (EURIBOR 12) plus 5% per annum.

The Company has a management agreement with Collectis, in which the Company pays Collectis a monthly fee for certain services provided by Collectis, which include general sales and administration functions, accounting functions, research and development, legal advice, human resources, and information technology. The Company recorded expenses associated with the management agreement of \$580 thousand and \$412 thousand for the three months ended March 31, 2018 and 2017, respectively. For the three months ended March 31, 2018 and 2017, the Company classified \$535 thousand and \$380 thousand, respectively, as a component of sales, general, and administrative expenses while \$45 thousand and \$32 thousand, respectively, were classified as a component of R&D expenses.

As of March 31, 2018, and December 31, 2017, the Company had short-term Collectis obligations of \$742 thousand, and \$1,350 thousand, respectively, consisting of amounts owed under the intercompany management agreement for services provided by Collectis and costs incurred by Collectis on behalf of the Company.

Collectis entered into a Lease Guaranty with the Landlord, whereby Collectis has guaranteed all of the Company's obligations under the Lease Agreement. Collectis' guarantee of Calyxt's obligations under the sale-leaseback transaction will terminate at the end of the second consecutive calendar year in which Calyxt's tangible net worth exceeds \$300 million, as determined in accordance with generally accepted accounting principles. On November 10, 2017, Calyxt agreed to indemnify Collectis for any obligations incurred by Collectis under the Lease Guaranty. This indemnification agreement will become effective at such time as Collectis owns 50% or less of Calyxt's outstanding common stock.

TALEN technology was invented by researchers at the University of Minnesota and Iowa State University and exclusively licensed to Collectis. Calyxt obtained from Collectis an exclusive license for the TALEN technology for commercial use in plants. TALEN technology is the primary gene-editing technology used by Calyxt today. The Company will be required to pay a royalty to Collectis on future sales for the licensing of the technology.

6. Accrued Liabilities

As of March 31, 2018, and December 31, 2017, the Company had accrued liabilities of \$1,256 thousand and \$893 thousand, respectively, which consist of unrecognized income related to construction tax incentives and miscellaneous operating expenses.

7. Net Loss per Share

Basic earnings per share is computed based on the net loss allocable to common stockholders for each period, divided by the weighted average number of common shares outstanding. All outstanding stock options and restricted stock units (RSUs) are excluded from the calculation since they are anti-dilutive. Due to the existence of net losses for the three-month periods ended March 31, 2018 and 2017, basic and diluted loss per share were the same.

8. Stock-Based Compensation

Calyxt, Inc. Equity Incentive Plan

The Company adopted the Calyxt, Inc. Equity Incentive Plan, or the Existing Plan, which allows for the grant of stock options to attract and retain highly qualified employees. In June 2017, the Company also adopted an omnibus incentive plan, or the Omnibus Plan, under which the Company granted stock options and restricted stock units to certain of our employees and nonemployees, as well as certain employees and nonemployees of Collectis.

The options granted under the Existing Plan and the Omnibus Plan, which were only eligible for exercise following the completion of the IPO on July 25, 2017, have an exercise price equal to the estimated fair value of the stock at the grant date for the Omnibus Plan and the grant date for the Existing Plan, respectively.

The following table presents stock-based compensation expense included in the Company's condensed statements of operations (in thousands) for stock options and restricted stock unit awards under the plans:

	Three Months Ended March 31	
	2018	2017
Stock-based compensation expense/(benefit) for:		
Employee stock options	\$ 298	\$ —
Employee restricted stock units	435	—
Nonemployee stock options	(712)	—
Nonemployee restricted stock units	(89)	—
	<u>\$ (68)</u>	<u>\$ —</u>
	Three Months Ended March 31	
	2018	2017
Stock-based compensation expense/(benefit) in operating expenses:		
Selling, general and administrative	\$ 369	\$ —
Research and development	(437)	—
	<u>\$ (68)</u>	<u>\$ —</u>

The Company treats stock-based compensation awards granted to employees of Collectis as dividends, which are recorded quarterly. The Company recorded \$712 thousand and \$0 in a deemed dividend to Collectis in the three months ended March 31, 2018 and 2017, respectively, for RSUs and stock options granted to employees of Collectis.

Equity instruments issued to non-employees include RSUs and options to purchase shares of the Company's common stock. These RSUs and options vest over a certain period during which services are provided. The Company expenses the fair market value of the awards over the period in which the related services are received. Unvested awards are remeasured to fair value until they vest.

Stock Options

The following table summarizes stock option activity for the three months ended March 31, 2018:

	Number of Shares	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value (in thousands)	Weighted-Average Remaining Contractual Life (in years)
Outstanding at December 31, 2017	3,883,432	\$ 9.16	\$ 49,965	8.8
Granted	79,875	\$ 10.39		
Exercised	(196,801)	\$ 3.77	\$ 3,260	
Canceled	(147,000)	\$ 13.29		
Outstanding at March 31, 2018	<u>3,619,506</u>	\$ 9.60	\$ 14,617	8.6
Exercisable at March 31, 2018	<u>1,125,083</u>	\$ 5.41	\$ 9,386	7.9

The weighted average grant date fair value for stock options granted during the three months ended March 31, 2018 was \$10.39. No stock options were granted during the three months ended March 31, 2017. The total fair value of stock options vested during the three months ended March 31, 2018 and 2017 was \$475 thousand and \$0, respectively. The aggregate intrinsic value of stock options exercised during the three months ended March 31, 2018 and 2017 was \$3.3 million and \$0, respectively. At March 31, 2018, the total unrecognized stock-based compensation expense related to non-vested stock options is approximately \$3.7 million, which is expected to be recognized over a weighted-average period of 4.3 years.

The fair value of each stock option is estimated using the Black-Scholes option pricing model at each measurement date. The fair value of stock options under the Black-Scholes model requires management to make assumptions regarding projected employee stock option exercise behaviors, risk-free interest rates, volatility of the stock price, and expected dividends. The awards currently outstanding were granted with vesting terms between two and six years. Certain awards contained a 25% acceleration vesting clause upon a triggering event or initial public offering as defined in the Existing Plan.

The Company has not historically paid cash dividends to its stockholders and currently does not anticipate paying any cash dividends in the foreseeable future. As a result, the Company has assumed a dividend yield of 0%. The risk-free interest rate is based upon the rates of U.S. Treasury bills with a term that approximates the expected life of the option. The Company uses the simplified method, or the lattice method when appropriate, to reasonably estimate the expected life of its option awards. Expected volatility is based upon the volatility of comparable public companies.

The following table provides the assumptions used in the Black-Scholes model for the stock option awards:

	Three Months Ended	
	March 31	
	2018	2017
Expected dividend yield	0%	0%
Risk-free interest rate	2.45-2.72%	1.28%
Expected volatility	40.9%-53.7%	25%
Expected life (in years)	6.46-9.21	5.75-6.25

Restricted Stock Units

The following table summarizes the activity of restricted stock units:

	Number of Restricted Stock Units Outstanding	Weighted-Average Grant Date Fair Value
Unvested balance at December 31, 2017	1,373,933	\$ 8.00
Granted	26,625	\$ 23.39
Canceled	(102,900)	\$ 8.00
Unvested balance at March 31, 2018	<u>1,297,658</u>	\$ 8.32

The weighted average grant date fair value for RSUs granted during the three months ended March 31, 2018 was \$23.39. No RSUs were granted during the three months ended March 31, 2017. No RSUs vested during the three months ended March 31, 2018 or 2017. As of March 31, 2018, the Company had approximately \$5.3 million of unrecognized stock-based compensation expense related to restricted stock units that is expected to be recognized over a weighted-average period of 4.7 years.

Collectis Equity Incentive Plan

Collectis granted stock options to employees of Calyxt. Compensation costs related to the grant of Collectis awards to Calyxt's employees has been recognized in the statements of operations with a corresponding credit to stockholders' equity, representing Collectis' capital contribution to the Company. The fair value of each stock option is estimated at the grant date using the Black-Scholes option pricing model. The fair value of stock options under the Black-Scholes model requires management to make assumptions regarding projected employee stock option exercise behaviors, risk-free interest rates, volatility of the Company's stock price, and expected dividends.

The following table provides the range of assumptions used in the Black-Scholes model for Collectis awards:

	Three Months Ended March 31	
	2018	2017
Expected dividend yield	0%	0%
Risk-free interest rate	0.03%-0.94%	0.00%-0.42%
Expected volatility	59.09%-65.64%	59.8%-63.2%
Expected life (in years)	6.00-6.12	6.11-6.12

The Company recognized stock-based compensation expense related to Collectis' grants of stock options and warrants to Calyxt employees and consultants of \$108 thousand and \$134 thousand for the three-month periods ended March 31, 2018 and 2017, respectively. The following table summarizes the stock-based compensation expense for Collectis awards (in thousands), which was recognized in the Company's statements of operations:

	Three Months Ended March 31	
	2018	2017
Stock-based compensation expense in operating expenses:		
Selling, general and administrative	\$ 54	\$ 3
Research and development	54	131
	<u>\$ 108</u>	<u>\$ 134</u>

9. Income Taxes

The Company provides for a valuation allowance when it is more likely than not that it will not realize a portion of the deferred tax assets. The Company has established a full valuation allowance for deferred tax assets due to the uncertainty that enough taxable income will be generated in the taxing jurisdiction to utilize the assets. Therefore, the Company has not reflected any benefit of such deferred tax assets in the accompanying financial statements.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act tax reform legislation. This legislation makes significant changes in U.S. tax law including a reduction in the corporate tax rates, changes to net operating loss carryforwards and carrybacks, and a repeal of the corporate alternative minimum tax. The legislation reduced the U.S. corporate tax rate from the current rate of 35% to 21%. As a result of the enacted law, the Company was required to revalue deferred tax assets and liability at the enacted rate. This revaluation didn't have any income tax expense impact due to the full valuation allowance. The other provisions of the Tax Cuts and Jobs Act did not have a material impact on the first quarter financial statements.

The Company has applied the guidance in ASU 2018-05, Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118, when accounting for the enactment-date effects of the Tax Cut and Jobs Act. As of March 31,

2018, the Company had not completed its accounting for the tax effects of the Tax Cut and Jobs Act, as the Company is in the process of analyzing certain aspects of the Tax Cut and Jobs Act, obtaining information, and refining its calculations of the Tax Cut and Jobs Act's impact. There have been no material measurement period adjustments made during the three months ended March 31, 2018 related to the provisional amounts recorded and disclosed in our Annual Report. The Company expects to complete the accounting for the tax effects of the Tax Cut and Jobs Act during 2018.

As of March 31, 2018, there were no material changes to what the Company disclosed regarding tax uncertainties or penalties as of December 31, 2017.

10. Commitments and Contingencies

Litigation and Claims

Various legal actions, proceedings, and claims (generally, matters) are pending or may be instituted or asserted against the Company. The Company accrues for matters when losses are deemed probable and reasonably estimable. Any resulting adjustments, which could be material, are recorded in the period the adjustments are identified. Except as discussed in the following paragraph, the Company has not identified any legal matters needing to be recorded or disclosed as of March 31, 2018.

In December 2013, the Company entered into a Research and Commercial License Agreement (the License Agreement) with a subsidiary of Bayer Aktiengesellschaft (Bayer), pursuant to which we granted Bayer a license to certain patents for the research and commercialization of certain products developed with our TALEN technology. The Company believes that Bayer, which has agreed to acquire Monsanto, Inc. and also to sell a significant portion of its seeds business to BASF SE, has breached the License Agreement by filing patent applications in violation of the License Agreement's provisions and by failing to make a payment due under the License Agreement. As described further in our Annual Report, the Company's commercial success depends, in part, on obtaining and maintaining proprietary rights to intellectual property and defending these rights against third-party challenges. Accordingly, the Company gave notice to Bayer of its termination of the License Agreement, and on March 12, 2018, the Company filed a complaint in Delaware Chancery Court alleging that it properly terminated the License Agreement for Bayer's material breach. The Company has requested a declaration that the License Agreement has terminated and an order of specific performance requiring Bayer to comply with its post-termination obligations. The Company does not expect to incur any significant losses as a result of the proceedings. However, litigation is inherently uncertain, and there can be no assurances with respect to the outcome or consequences of this litigation. Bayer, as well as other potential competitors, may choose to develop products that may compete with the product candidates that we are developing or may seek to develop in the future, regardless of the outcome of this litigation. If we are unsuccessful in this litigation, Bayer, as well as its successors and assigns, could use the TALEN technology covered by the License Agreement to develop products that may compete with the product candidates that we are developing or may seek to develop in the future.

Leases

The Company has several leases which are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Significant leases are described below.

Current building Lease

The Company leases its existing office space under an amended non-cancelable operating lease that expires in May 2018. Rent expense is recognized using the straight-line method over the term of the lease. In addition to minimum lease payments, the office lease requires payment of a proportionate share of real estate taxes and building operating expenses. Total rent expense for the office space was \$77 thousand and \$65 thousand for three months ended March 31, 2018 and 2017, respectively.

Financing Lease

The Company entered into a sale-leaseback transaction on September 6, 2017 with respect to certain real property and improvements located in Roseville, MN, whereby the Company sold the land and other improvements to a third party in exchange for approximately \$7 million in cash and the Company committed to an initial lease term of twenty years, with four options to extend the term of the Lease Agreement for five years each. The transaction also included a construction contract for the Company's new nearly 40,000 square-foot corporate headquarters which when complete will include office, research laboratory space and outdoor growing plots.

During the construction period, the Company initially pays annual base rent of \$490 thousand until the property has been substantially completed, at which time, the lease will commence and the Company will pay annual base rent at the rate of 8% of the total cost which based on the project plan would approximate an annual base rent of \$1.4 million. The Lease Agreement is a net lease, whereby the Company is responsible for the other costs and expenses associated with the use of the property. Collectis entered into a Lease Guaranty with the landlord, whereby Collectis has guaranteed the Company's obligations under the Lease Agreement. Collectis' guarantee of Calyxt's obligations under the sale-leaseback transaction will terminate at the end of the second consecutive calendar year in which Calyxt's tangible net worth exceeds \$300 million, as determined in accordance with generally accepted accounting principles. On November 10, 2017, Calyxt agreed to indemnify Collectis for any obligations incurred by Collectis under the Lease Guaranty. This indemnification agreement will become effective at such time as Collectis owns 50% or less of Calyxt's outstanding common stock.

The Company is responsible for construction cost overruns. As a result of this involvement, the Company is deemed the "owner" for accounting purposes during the construction period and is required to capitalize the construction costs on the Balance Sheet. Lease payments will decrease the finance obligation recorded on the Balance Sheet, net of implied interest. The sale of the land and structures also does not qualify for sale-leaseback accounting under ASC 840 as a result of "continuing involvement" and the guarantee of the transaction by Collectis. Under ASC 840, the "continuing involvement" precludes the Company from derecognizing the assets from the Balance Sheet. When the assets under construction have been substantially completed the assets associated with the project will be capitalized and depreciated over the term of the lease.

The Company has recorded assets under construction related to the financing lease transaction of \$7.6 million and \$3.1 million and a financing lease obligation of \$14.5 million and \$10.1 million as of March 31, 2018 and December 31, 2017 respectively. The Company recognized \$123 thousand and 0 of interest expense related to this arrangement for the quarters-ended March 31, 2018 and 2017, respectively.

Obligations to Collectis

As of March 31, 2018, and December 31, 2017, the Company had short-term Collectis obligations of \$742 thousand and \$1,350 thousand, respectively, consisting of amounts owed under the intercompany management agreement for services provided by Collectis and costs incurred by Collectis on behalf of the Company.

Forward Purchase Commitments

As of March 31, 2018, and December 31, 2017, the Company has forward purchase commitments with growers to purchase seed and grain at future dates in the amount of approximately \$7.0 million and \$1.6 million, respectively, that are estimated based on anticipated yield and expected price. This amount is not recorded in the financial statements because the company has not taken delivery of the seed and grain.

11. Employee Benefit Plan

The Company provides a 401(k) defined contribution plan (the Plan) for participation by all regular fulltime employees who have completed three months of service. The Plan provides for a matching contribution equal to 100% of the amount of the employee's salary deduction up to 3% of the salary per employee and an additional 50% match from 3% to 5% of salary. Employees' rights to the Company's matching contributions vest immediately. Company contributions to the Plan totaled \$49 thousand and \$27 thousand for the three months ended March 31, 2018 and 2017, respectively.

12. Segment and Geographic Information

The Company has one operating and reportable segment, R&D of plant gene editing. The Company derives substantially all of its revenue from R&D contracts related to plant gene editing located in the US.

13. Subsequent Events

None.

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

The following discussion and analysis of our financial condition and results of operations should be read together with our financial statements and related notes, which are included elsewhere in this Quarterly Report on Form 10-Q. Our actual results could differ materially from those anticipated in the forward-looking statements included in this discussion as a result of certain factors, including, but not limited to, those discussed in "Risk Factors" in our Annual Report.

Overview

We are a consumer-centric, food- and agriculture-focused company. We are pioneering a paradigm shift to deliver healthier food ingredients, such as healthier oils and high fiber wheat, for consumers and crop traits that benefit the environment and reduce pesticide applications, such as disease tolerance, for farmers. We develop non-transgenic crops leveraging processes that occur in nature by combining our leading gene-editing technology and technical expertise with our innovative commercial strategy. While the traits that enable these characteristics may occur naturally and randomly through evolution—or under a controlled environment through traditional agricultural technologies—those processes are imprecise and take many years, if not decades. Our technology enables us to precisely and specifically edit a plant genome to elicit the desired traits and characteristics, resulting in a final product that has no foreign DNA. We believe the precision, specificity, cost effectiveness and development speed of our gene-editing technologies will enable us to provide meaningful disruption to the food and agriculture industries. Food-related issues, including obesity and diabetes, are some of the most prevalent health issues today and continue to grow rapidly. As awareness of diet-related health issues grows, consumers have emphasized a healthier lifestyle and a desire for nutritionally rich foods that are better tasting, less processed and more convenient. This trend is leading to an increase in the demand for higher valued, premium segments of the food industry, such as higher fiber, reduced gluten and reduced fat products. As a result of these trends, food companies are looking for specialty ingredients and solutions that can help them satisfy their customers' evolving needs and drive growth in market share and new value-added products.

Our first product candidate, which we expect to be commercialized by the end of 2018, is a high oleic soybean designed to produce a healthier oil that has increased heat stability with zero trans fats. Among our other product candidates are high fiber wheat and herbicide tolerant wheat. We are developing our high fiber wheat to create flour with up to three times more dietary fiber than standard white flour while maintaining the same flavor and convenience of use. Our high fiber wheat may provide benefits associated with a high fiber diet, including reduced risk of coronary heart disease. Our herbicide tolerant wheat is designed to provide farmers with better weed control options to increase yields. We believe each of these three product candidates addresses a multi-billion-dollar market opportunity.

Our highest-priority product candidate, our high oleic soybean, is in Phase III testing, which is the final phase before commercialization. Phase III testing includes developing commercial-scale pilot production, building out supply chain and inventory, and performing customer testing. In the third quarter of 2017, we completed the harvest for our high oleic soybeans and produced sufficient seeds to meet our commercialization target date.

We are an early-stage company and have incurred net losses since our inception. As of March 31, 2018, we had an accumulated deficit of \$58.9 million. Our net losses for the three months ended March 31, 2018 and 2017, were \$4.4 million and \$2.8 million, respectively. Substantially all of our net losses resulted from costs incurred in connection with our R&D programs and from selling, general and administrative expenses associated with our operations. As we continue to develop our product pipeline, we expect to continue to incur significant

expenses and increasing operating losses for the foreseeable future and those expenses and losses may fluctuate significantly from quarter-to-quarter and year-to-year. We expect that our expenses will increase substantially as we:

- establish a sales, marketing and distribution infrastructure, including relationships across our supply chain, to commercialize any products that have completed the development process;
- conduct additional field trials of our current and future product candidates;
- secure manufacturing arrangements for commercial production;
- continue to advance the research and development of our current and future product candidates;
- seek to identify and validate additional product candidates;
- acquire or in-license other product candidates, technologies, germplasm or other biological material;
- are required to seek regulatory and marketing approvals for our product candidates;
- make royalty and other payments under any in-license agreements;
- maintain, protect, expand and defend our intellectual property portfolio;
- seek to attract and retain new and existing skilled personnel; and
- experience any delays or encounter issues with any of the above.

We do not expect to generate material revenue unless and until we successfully complete development and full-scale commercialization of one or more of our product candidates, which may take a number of years and is subject to significant uncertainty. Until such time that we can generate substantial revenues from sales of our product candidates, if ever, we expect to finance our operating activities through a combination of cash on hand, equity offerings, debt financings, government or other third-party funding, and licensing arrangements. However, we may be unable to raise additional funds or enter into such arrangements when needed on favorable terms, or at all, which would have a negative impact on our financial condition and could force us to delay, limit, reduce or terminate our development programs or commercialization efforts or grant to others rights to develop or market product candidates that we would otherwise prefer to develop and market ourselves. Failure to receive additional funding could cause us to cease operations, in part or in full.

Comparability of Our Results and Our Relationship with Collectis

We are a majority-owned subsidiary of Collectis. As a result, our historical financial information does not reflect the financial condition, results of operations or cash flows we would have achieved as a standalone company and not a subsidiary of Collectis during the periods presented or those we will achieve in the future. This is primarily the result of the following factors:

- our historical financial information reflects expense allocations for certain support functions that are provided on a centralized basis within Collectis, such as expenses for business technology, facilities, legal, finance, human resources and business development that may be higher or lower than the comparable expenses we would have actually incurred, or will incur in the future, as a standalone company and not a subsidiary of Collectis; and
- significant increases in our cost structure as a result of becoming a public company, including costs related to public company reporting, investor relations and compliance with the Sarbanes-Oxley Act, which expenses may increase at such time as we operate as a standalone company and not a subsidiary of Collectis.

In the future, we expect to incur internal costs to implement certain new systems, including infrastructure and an enterprise resource planning system.

Financial Operations Overview

Revenue

We recognized approximately \$11 thousand and \$55 thousand of revenue for the three months ended March 31, 2018 and 2017, respectively, from payments we received pursuant to our R&D agreements under which we conduct research activities for a number of companies. Our R&D agreements provide for non-refundable upfront payments that we receive upon execution of the relevant agreement; milestone payments upon the achievement of certain scientific, regulatory or commercial milestones; license payments from licenses that we grant to third parties; and R&D cost reimbursements that are recognized over the period of these services and royalty payments. Our reliance on revenue from our R&D agreements has been systematically diminishing as we purposely reduce the number of R&D contracts we enter into with other companies and focus on in-house product development.

To date, we have not generated any product revenue. Our ability to generate future product revenue depends upon our R&D partners' ability to assist us in successfully developing and commercializing our products. If we fail to complete the development of our product candidates in a timely manner or fail to obtain their regulatory approval if necessary, our ability to generate future revenue would be compromised.

We expect to commence commercialization of our high oleic soybean product by the end of 2018. Once commercialized, we expect to generate revenue by selling our high oleic soybean seeds to farmers. We intend to buy grain grown by the farmers utilizing our seeds that meets our quality specifications and expect to generate additional revenue by using the purchased grain to produce soybean meal and soybean oil, which we would then sell to food companies and animal feed companies.

Research and Development Expenses

R&D expenses consist of expenses incurred while performing R&D activities to discover and develop potential product candidates. We recognize R&D expenses as they are incurred.

Our R&D expenses consist primarily of:

- personnel costs, including salaries and related benefits including non-cash stock option expense, for our employees engaged in scientific R&D functions;
- cost of third-party contractors, such as contract research organizations, or CROs, and third-party contractors who support our product candidate development;
- seed increases (small-scale and large-scale testing) for trait validation;
- purchases and manufacturing of biological materials, real-estate leasing costs, as well as conferences and travel costs;
- certain other expenses, such as expenses for use of laboratories and facilities for our R&D activities; and
- costs of in-licensing or acquiring technology from third parties.

Our R&D efforts are focused on our existing product candidates and in broadening our pipeline with new product candidates. We use our employee and infrastructure resources across multiple R&D programs directed toward identifying and developing product candidates. We manage certain activities such as field trials and the manufacture of product candidates through third-party vendors. Due to the number of ongoing projects and our ability to use resources across several projects, we do not record or maintain information regarding the costs incurred for our R&D programs on a program-specific basis.

Our R&D efforts are central to our business and account for a significant portion of our operating expenses. We expect that our R&D expenses will increase for the foreseeable future as we expand our R&D and process development efforts, access and develop additional technologies and hire additional personnel to support our R&D efforts. Product candidates in later stages of product development generally have higher development costs than those in earlier stages of development, primarily due to the increased size of field trials and commercial scale product testing.

Collectis provides us R&D services, which include use of database software we use for recording and tracking our research. We have a management agreement in which Collectis charges us in euros at cost plus a markup ranging from 0% to 10%.

R&D expenses, including licensing fees, are expensed as incurred, due to the uncertainty of future commercial value. At this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the development of our current product candidates or any new product candidates we may identify and develop.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of employee-related expenses for executive, business development, intellectual property, finance and human resource functions. Other selling, general and administrative expenses include facility-related costs not otherwise allocated to R&D expense, professional fees for auditing, tax and legal services, expenses associated with obtaining and maintaining patents, consulting costs, management fees and costs of our information systems.

Collectis provides us services, which include general sales and administration functions, accounting and finance functions, legal advice, human resources, and information technology. We have a management agreement in which Collectis charges us in euros at cost plus a markup ranging from 0% to 10%. Amounts due to Collectis pursuant to intercompany transactions bear interest at a rate of 12-month Euribor plus 5% per annum.

We expect that our selling, general and administrative expense will increase as we continue to operate as a public reporting company and continue to develop and commercialize our product candidates. We also expect to incur increased costs in order to comply with auditing requirements, corporate governance, internal controls, investor relations, disclosure and similar requirements applicable to public reporting companies.

Critical Accounting Policies and Estimates

Some of the accounting methods and policies used in preparing our financial statements under U.S. GAAP are based on complex and subjective assessments by our management or on estimates based on past experience and assumptions deemed realistic and reasonable based on the circumstances concerned. The actual value of our assets, liabilities and stockholders' equity and of our losses could differ from the value derived from these estimates if conditions changed and these changes had an impact on the assumptions adopted. We believe that the most significant management judgments and assumptions in the preparation of our financial statements and the notes thereto are named below. For further details, see our financial statements and the notes thereto, included elsewhere in this Quarterly Report on Form 10-Q.

Revenue Recognition

We enter into R&D agreements that may consist of nonrefundable up-front payments, milestone payments, royalties and R&D services. In addition, we may license our technology to third parties, which may be part of the R&D agreements.

For agreements that contain multiple elements, each element within a multiple-element arrangement is accounted for as a separate unit of accounting provided the following criteria are met: the delivered products or services have value to the customer on a standalone basis; and for an arrangement that includes a general right of return relative to the delivered products or services, delivery or performance of the undelivered product or service is considered probable and is substantially controlled by us. We consider a deliverable to have standalone value if the product or service is sold separately by us or another vendor or could be resold by the customer. Further, our revenue arrangements do not include a general right of return relative to the delivered products.

Nonrefundable up-front payments are deferred and recognized as revenue over the period of the R&D agreement. If an R&D agreement is terminated before the original term of the agreement is fulfilled, all the remaining deferred revenue is recognized at the date of termination.

Milestone payments represent amounts received from our R&D partners, the receipt of which is dependent upon the achievement of certain scientific, regulatory or commercial milestones. We recognize milestone payments when the triggering event has occurred, there are no further contingencies or services to be provided with respect to that event, and the counterparty has no right to refund of the payment. The triggering event may be scientific results achieved by us or another party to the arrangement, regulatory approvals, or the marketing of products developed under the arrangement.

Royalty revenue arises from our contractual entitlement to receive a percentage of product sales revenues achieved by counterparties. Royalty revenue is recognized on an accrual basis in accordance with the terms of the agreement when sales can be determined reliably and there is reasonable assurance that the receivables from outstanding royalties will be collected.

License revenue from licenses that we grant to third parties is recognized ratably over the period of the license agreements.

Revenue from R&D services is recognized over the duration of the service period.

Research and Development

R&D expenses represent costs incurred for the development of various products using licensed gene editing technology. R&D expenses consist primarily of salaries and related costs of our scientists, in-licensing of technology, consumables, property and equipment depreciation, and fees paid to third-party consultants. All R&D costs are expensed as incurred.

In the normal course of business, we enter into R&D contracts with third parties whereby we perform R&D of certain gene traits for the third parties. We have entered into various multi-year arrangements under which we perform the R&D of the gene technology and the third parties generally have primary responsibility for any commercialization of the technology. These arrangements are performed with no guarantee of either technological or commercial success.

We in-license certain technology from third parties that is a component of ongoing research and product development. We expense up-front license fees upon contracting due to the uncertainty of future commercial value, as well as expensing any ongoing annual fees when incurred.

Forward Purchase Contracts and Derivatives

We enter into supply agreements for grain and seed production with settlement values based on commodity market futures pricing. We account for these derivative financial instruments utilizing the authoritative guidance in ASC Topic 815, *Derivatives and Hedging*. We recognize the realized gains and losses from derivative contracts and record them as a component of R&D expenses as a result of breeding contract activity. We also recognize the unrealized derivative asset and unrealized derivative liability in other current assets and other current liabilities, respectively.

Stock-Based Compensation

Calyxt, Inc. Equity Incentive Plans

We adopted the Calyxt, Inc. Equity Incentive Plan, or the Existing Plan, which allows for the grant of stock options to attract and retain highly qualified employees. In June 2017, we also adopted an omnibus incentive plan, or the Omnibus Plan, under which we have granted stock options and restricted stock units to certain of our employees, nonemployees, and certain employees and nonemployees of Collectis.

The options granted under the Existing Plan and the Omnibus Plan, which were only eligible for exercise following the completion of the IPO on July 25, 2017, have an exercise price equal to the estimated fair value of the stock at the grant date for the Omnibus Plan and the grant date for the Existing Plan, respectively.

The Company recognized a reduction to compensation expense of \$68 thousand and \$0 for stock options granted under the plans for the three-month period ended March 31, 2018 and 2017, respectively.

We treat stock-based compensation awards granted to employees of Collectis as dividends, which we record quarterly. We recorded \$712 thousand and \$0 in a deemed dividend to Collectis in the three months ended March 31, 2018, and 2017, respectively, for such restricted stock units and stock options granted to employees of Collectis.

At March 31, 2018, we had 3,619,506 stock options outstanding, of which 1,125,083 are vested. At March 31, 2018, the total unrecognized stock-based compensation expense related to non-vested stock options is approximately \$3.7million, which we expect to recognize over a weighted-average period of 4.3 years.

As of March 31, 2018, we had 1,619,117 shares of common stock issuable upon the exercise of outstanding stock options under the Existing Plan, 2,000,389 shares of common stock issuable upon the exercise of stock options under the Omnibus Plan and restricted stock units with respect to 1,297,658 shares of common stock outstanding under the Omnibus Plan. Of that total, 1,142,233 stock options and restricted stock units were fully vested as of March 31, 2018 or will vest within 60 days of quarter's end.

Equity instruments issued to non-employees include RSUs and options to purchase shares of the Company's common stock. These RSUs and options vest over a certain period during which services are provided. The Company expenses the fair market value of the awards over the period in which the related services are received. Unvested awards are re-measured to fair value until they vest.

At March 31, 2018, we had 1,297,658 restricted stock units outstanding and unvested. As of March 31, 2018, we had approximately \$5.3 million of unrecognized stock-based compensation expense related to restricted stock units that we expect to recognize over a weighted-average period of 4.7 years.

The fair value of each stock option is estimated using the Black-Scholes option pricing model at each measurement date. The fair value of stock options under the Black-Scholes model requires management to make assumptions regarding projected employee stock option exercise behaviors, risk-free interest rates, volatility of the stock price, and expected dividends. The awards currently outstanding were granted with vesting terms between two and six years. Certain awards contain a 25% acceleration vesting clause, which was triggered in connection with our IPO. In addition, certain awards contain a provision for 100% accelerated vesting in the event of (a) the termination of employment without cause or (b) the resignation of the employee for good reason within twelve months following a triggering event as defined in the Existing Plan.

We have not historically paid cash dividends to our stockholders, and we currently do not anticipate paying any cash dividends in the foreseeable future. As a result, we assumed a dividend yield of 0%. The risk-free interest rate is based upon the rates of U.S. Treasury bills with a term that approximates the expected life of the option. We use the simplified method or the lattice method when appropriate, to reasonably estimate the expected life of our option awards. Expected volatility is based upon the volatility of comparable public companies.

Collectis Awards

Collectis granted stock options to our employees. Compensation costs related to the grant of the Collectis awards to our employees have been recognized in our statements of operations with a corresponding credit to stockholders' equity, representing Collectis' capital contribution. The fair value of each stock option is estimated at

the grant date using the Black-Scholes option pricing model. The fair value of stock options under the Black-Scholes model requires management to make assumptions regarding projected employee stock option exercise behaviors, risk-free interest rates, volatility of the stock price, and expected dividends.

Collectis granted certain Calyxt employees and consultants warrants to purchase Collectis stock in exchange for services provided to us. We recorded the fair value of the warrants as a dividend paid to Collectis in exchange for the warrants issued to the consultants.

We recognized share-based compensation expense related to Collectis' grants of stock options and warrants to our employees and consultants of \$108 thousand and \$134 thousand for the three months ended March 31, 2018 and 2017, respectively.

Recent Accounting Pronouncements

See Note 2 to the financial statements for a discussion of recent accounting pronouncements.

Results of Operations

Three Months Ended March 31, 2018 Compared to Three Months Ended March 31, 2017 (unaudited)

The following table summarizes key components of our results of operations for the periods indicated:

	Three Months Ended March 31,		% change 2018 vs 2017
	2018	2017	
	(\$ in thousands)		
Revenue	\$ 11	\$ 55	(80.0)%
Operating expenses:			
Cost of revenue	—	—	—
Research and development	1,093	1,266	(13.7)%
Selling, general, and administrative	3,214	1,578	103.7%
Total operating expenses	4,307	2,844	51.4%
Loss from operations	(4,296)	(2,789)	54.0%
Interest expense, net	(68)	(14)	385.7%
Foreign currency transaction loss	(6)	(29)	(79.3)%
Loss before income taxes	(4,370)	(2,832)	54.3%
Income tax expense	—	—	—
Net loss	<u>\$ (4,370)</u>	<u>\$ (2,832)</u>	<u>54.3%</u>

Revenue

Revenue decreased \$44 thousand, or 80.0%, from \$55 thousand for the three months ended March 31, 2017 to \$11 thousand for the three months ended March 31, 2018. The decrease was primarily attributable to a strategic decision to focus on in-house development of product candidates and to reduce the amount of subcontracted R&D that we were performing for third parties.

Cost of revenue

The Company did not incur any cost of revenue for the three months ended March 31, 2017 or for the three months ended March 31, 2018 as a result of our prioritizing the commercial launch of our high oleic soybean product and focusing on advancing our product pipeline rather than undertaking subcontracted R&D obligations.

Research and development expenses

R&D expenses decreased \$173 thousand, or 13.7%, from \$1.3 million for the three months ended March 31, 2017 to \$1.1 million for the three months ended March 31, 2018. The decrease was primarily attributable to reduced subcontracted R&D that we were performing, such as third-party germplasm breeding, third-party germplasm trials and meal and oil product testing, coupled with a stock option expense reduction of \$437 thousand, partially offset by increased payroll related expenses and stock-based compensation related to Collectis' grants of stock options to Calyxt employees and consultants for the first quarter of 2018.

Selling, general, and administrative expenses

Selling, general, and administrative expenses increased \$1.6 million, or 103.7%, from \$1.6 million for the three months ended March 31, 2017 to \$3.2 million for the three months ended March 31, 2018. The increase was primarily attributable to higher costs of professional service firms, to support our growth and an increase in personnel expenses as we expand our executive management team coupled with a stock option expense increase of \$369 thousand for the first quarter of 2018.

Interest expense, net

Interest expense increased \$54 thousand, or 385.7%, from \$14 thousand of interest expense for the three months ended March 31, 2017 to \$68 thousand of interest expense for the three months ended March 31, 2018. The increase in expense was attributable to interest payments relating to our new headquarters partially offset by the interest earned on the Company's cash balances.

Foreign currency transaction loss

Foreign currency transaction loss decreased \$23 thousand, or 79.3%, from a \$29 thousand loss for the three months ended March 31, 2017 to a \$6 thousand loss for the three months ended March 31, 2018. The decrease was primarily attributable to a large payoff of the accounts payable balances owed to Collectis.

Liquidity and Capital Resources

As of March 31, 2018, we had cash and cash equivalents of \$50.7 million.

Sources of Liquidity

Until the completion of our IPO, we funded our operations primarily through cash infusions provided by Collectis. On July 25, 2017, we completed our IPO of common stock. In the aggregate, we received net proceeds from the IPO and exercise of the underwriters' option to purchase additional shares of approximately \$58.0 million, after deducting underwriting discounts and commissions of \$3.1 million and offering expenses totaling approximately \$3.3 million.

During the three months ended March 31, 2018 and 2017, we incurred losses from operations of \$4.4 million and \$2.8 million, respectively, and used net cash in operating activities of \$6.6 million and \$1.7 million, respectively. At March 31, 2018, we had an accumulated deficit of \$58.9 million and we expect to incur losses for the immediate future. Although we believe that we will be able to successfully fund our operations with our cash and cash equivalents as of March 31, 2018 through a significant portion of 2019, there can be no assurance we will be able to do so or that we will ever operate profitably.

Historical Changes in Cash Flows

Three Months Ended March 31, 2018 Compared to Three Months Ended March 31, 2017 (unaudited)

The table below summarizes our sources and uses of cash for the nine months ended March 31, 2018 and 2017:

	Three Months Ended	
	March 31,	
	2018	2017
	(in thousands)	
Net cash used in operating activities	\$(6,565)	\$(1,707)
Net cash used in investing activities	(41)	(312)
Net cash provided by financing activities	645	—
Total	<u>\$(5,961)</u>	<u>\$(2,019)</u>

Net cash used in operating activities was \$6.6 million and \$1.7 million in the three months ended March 31, 2018 and 2017, respectively. The net cash used in each of these periods primarily reflects an increase in head count, legal professional costs, seed production and storage partially offset by adjustments for non-cash items related to depreciation and stock-based compensation.

Net cash used in investing activities was \$41 thousand and \$312 thousand in the three months ended March 31, 2018 and 2017, respectively. The majority of the cash used in investing in the three months ended March 31, 2018 was related to purchases of laptops and lab equipment.

Net cash provided by financing activities was \$645 thousand and \$0 in the three months ended March 31, 2018 and 2017, respectively. The majority of the cash received in financing in the three months ended March 31, 2018 was related to stock options exercises partially offset by deferred costs.

Contractual Obligations, Commitments and Contingencies

Forward Purchase Contracts

We enter into supply agreements for grain and seed production with settlement values based on commodity market futures pricing. We account for these derivative financial instruments utilizing the authoritative guidance in ASC Topic 815, *Derivatives and Hedging*. Realized gains and losses from derivative contracts are recorded as R&D expenses as a result of breeding contract activity. The fair value for forward purchase contracts is estimated based on exchange-quoted prices.

Sale-Leaseback

In September 2017 we consummated a sale-leaseback transaction including a Lease Agreement, dated September 6, 2017, with a third party with respect to our lease of certain real property and improvements located in Roseville, Minnesota for a term of twenty years, with four options to extend the term of the Lease Agreement for five years each (subject to there being no default (as defined in the Lease Agreement) beyond any cure period and this property being occupied at the time of such extension).

Pursuant to the purchase agreement, we received approximately \$7 million in connection with the sale of the property. The property will be our new corporate headquarters and lab facilities. We expect the facility to be composed of a nearly 40,000 square-foot office and lab building, with greenhouses and outdoor research plots. We will be deemed the owner for accounting purposes.

Under the Lease Agreement, during the construction period we will initially pay annual base rent of \$490 thousand until the earlier of (i) the next day after issuance of a temporary certificate of occupancy or equivalent permit to occupy the property by the City of Roseville and (ii) the next day after the certification of substantial completion executed by the landlord's architect or contractor confirming that the work to be done on the property has been substantially completed (such date, the Initial Term Commencement Date). Occupancy is expected to be in the second quarter. The Company expects to incur, on the expected occupancy date, minimum lease payments of \$163 thousand.

On the Initial Term Commencement Date, we will pay an annual base rent of 8% of the total project cost (Annual Base Rent) with scheduled increases in rent of 7.5% on the sixth, eleventh and sixteenth anniversaries of the Initial Term Commencement Date as well as on the first day of each Renewal Term (as defined in the Lease Agreement). Based on the initial cost of the project we will pay an estimated annual base rent of approximately \$1.4 million.

The Lease Agreement is a net lease and the costs and expenses associated with the property are to be paid for by us. Beginning on the date that is 18 months following the Initial Term Commencement Date, if landlord decides to sell the property during the term of the Lease Agreement and any extension thereof, we will have a right of first refusal to purchase the property on the same terms offered to any third party.

In consideration of, and as an inducement to, landlord's agreement to enter into the Lease Agreement, Collectis entered into a Lease Guaranty with the landlord, whereby Collectis has guaranteed all of our obligations under the

Lease Agreement. Collectis' guarantee of Calyxt's obligations under the sale-leaseback transaction will terminate at the end of the second consecutive calendar year in which Calyxt's tangible net worth exceeds \$300 million, as determined in accordance with generally accepted accounting principles.

On November 10, 2017, we agreed to indemnify Collectis for any obligations incurred by Collectis under the Lease Guaranty. This indemnification agreement will become effective at such time as Collectis owns 50% or less of our outstanding common stock.

Operating Capital Requirements

To date, we have not generated any revenues from product sales. We do not know when, or if, we will generate any revenue from product sales. We do not expect to generate significant revenue from product sales unless and until we obtain regulatory approval of and commercialize one of our current or future product candidates. If we fail to complete the development of our product candidates in a timely manner or fail to obtain their regulatory approval if necessary, our ability to generate future revenue would be compromised.

We expect to commence commercialization of our high oleic soybean product by the end of 2018. Once commercialized, we expect to generate revenue by selling our high oleic soybean seeds to farmers. We intend to buy grain grown by the farmers utilizing our seeds that meets our quality specifications and expect to generate additional revenue by using the purchased grain to produce soybean meal and soybean oil, which we would then sell to food companies and animal feed companies.

Nevertheless, we anticipate that we will continue to generate losses for the foreseeable future, and we expect the losses to increase as we continue the development of our product candidates and begin to commercialize our product candidates that complete the development process. We are subject to all risks incident in the development of new agricultural products, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. Sales of plant products depend upon planting and growing seasons, which vary from year to year, which is expected to result in both highly seasonal patterns and substantial fluctuations in quarterly sales and profitability. As we have not yet made any sales of our products, we have not experienced the full nature or extent to which this business may be seasonal. In addition, as a newly public company, we also anticipate we will continue to incur substantial expenses related to audit, legal, regulatory and tax-related services associated with our public company obligations in the United States and our compliance with applicable U.S. exchange listing and SEC requirements. We anticipate that we will need additional funding in connection with our continuing operations, including for the further development of our existing product candidates and to pursue other development activities related to additional product candidates.

During the years ended December 31, 2017 and 2016 and through March 31, 2018, we incurred losses from operations and net cash outflows from operating activities as disclosed in the statements of operations and cash flows, respectively. At March 31, 2018, we had an accumulated deficit of \$58.9 million and we expect to incur losses for the immediate future. Taking into account our anticipated cash burn rate, we believe our cash and cash equivalents will be sufficient to fund our operations through a significant portion of 2019. However, there can be no assurance that we will be able to do so or that we will ever operate profitably.

Until we can generate a sufficient amount of revenue from our products, if ever, we expect to finance a portion of future cash needs through cash on hand and public or private equity or debt financings. Additional capital may not be available on reasonable terms, if at all. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may have to significantly delay, scale back or discontinue the development or commercialization of one or more of our product candidates. If we raise additional funds through the issuance of additional debt or equity securities, it could result in dilution to our existing stockholders and increased fixed payment obligations, and these securities may have rights senior to those of our common shares. Any of these events could significantly harm our business, financial condition and prospects.

The period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a result of a number of factors. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. Our future funding requirements, both near and long-term, will depend on many factors, including, but not limited to:

- the initiation, progress, timing, costs and results of field trials for our product candidates;
- the outcome, timing and cost of regulatory approvals by U.S. and non-U.S. regulatory authorities, including the possibility that regulatory authorities will require that we perform studies;
- the ability of our product candidates to progress through late stage development successfully, including through field trials;
- the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- our need to expand our research and development activities;
- our need and ability to hire additional personnel;
- our need to implement additional infrastructure and internal systems;
- the effect of competing technological and market developments; and
- the cost of establishing sales, marketing and distribution capabilities for any products we commercialize.

If we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, financial condition and results of operations could be materially adversely affected.

Off Balance Sheet Obligations

We enter into seed and grain production agreements with settlement value based on commodity market future pricing. We do not have any other off-balance sheet arrangements.

JOBS Act

We are an emerging growth company under the JOBS Act. The JOBS Act provides that an emerging growth company can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to take advantage of this extended transition period for complying with new or revised accounting standards. As an emerging growth company, we have also elected to take advantage of certain reduced disclosure and other requirements that are otherwise generally applicable to public companies. In particular, subject to certain conditions set forth in the JOBS Act, we may not be required to, among other things, (i) provide an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404, (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act, (iii) comply with any requirement that may be adopted by the PCAOB regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis), and (iv) disclose certain executive compensation related items, such as, the correlation between executive compensation and performance and comparisons of the chief executive officer's compensation to median employee compensation. These exemptions will apply through December 31, 2022 or until we are no longer an emerging growth company, whichever is earlier.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our exposure to foreign currency exchange risk from the information provided in our Annual Report.

Item 4. Controls and Procedures Internal**Management's Evaluation of Disclosure Controls and Procedures**

Based on an evaluation under the supervision and with the participation of our management, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act, were effective as of March 31, 2018 to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2018 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In addition to the litigation described below, we are involved in various legal proceedings which are ordinary litigation incidental to our business, some of which are covered in whole or in part by insurance. While we believe the ultimate disposition of litigation will not have material adverse effect on our financial position, results of operations or liquidity, there exists the possibility that such litigation may have an impact on our results for a particular reporting period in which litigation effects become probable and reasonably estimable. Though we do not believe there is a reasonable likelihood that there will be a material change related to these matters, litigation is subject to inherent uncertainties and management's view of these matters may change in the future.

In December 2013, we entered into a License Agreement (the License Agreement) with Bayer, pursuant to which we granted Bayer a license to certain patents for the research and commercialization of certain products developed with our TALEN technology. We believe that Bayer, which has agreed to acquire Monsanto, Inc. and also to sell a significant portion of its seeds business to BASF SE, has breached the License Agreement by filing patent applications in violation of the License Agreement's provisions and by failing to make a payment due under the License Agreement. As described further in our Annual Report, our commercial success depends, in part, on obtaining and maintaining proprietary rights to intellectual property and defending these rights against third-party challenges. Accordingly, we have given notice to Bayer of our termination of the License Agreement, and on March 12, 2018, we filed a complaint in Delaware Chancery Court alleging that we properly terminated the License Agreement for Bayer's material breach. We have requested a declaration that the License Agreement has terminated and an order of specific performance requiring Bayer to comply with its post-termination obligations. We do not expect to incur any significant losses as a result of the proceedings. However, litigation is inherently uncertain, and there can be no assurances with respect to the outcome or consequences of this litigation. Bayer, as well as other potential competitors, may choose to develop products that may compete with the product candidates that we are developing or may seek to develop in the future, regardless of the outcome of this litigation. If we are unsuccessful in this litigation, Bayer, as well as its successors and assigns, could use the TALEN technology covered by the License Agreement to develop products that may compete with the product candidates that we are developing or may seek to develop in the future.

Item 1A. Risk Factors

There were no material changes in risk factors for the Company in the period covered by this report. See the discussion of risk factors in our Annual Report.

Item 5. Other Information

On May 3, 2018, our board of directors (the Board) approved an amendment of our Bylaws, effective as of May 7, 2018. Section 3.12 of Article 3 of the existing Bylaws has been amended to conform to the corresponding provision included in our Articles of Incorporation. The amendment provides that the Board will have discretion to expand the size of the Board, and any vacancies on the Board shall, except as otherwise required by law, be filled by a majority of the directors then in office or by the sole remaining director. Each director so elected shall hold office for a term that will coincide with the term of the class to which such director shall have been elected. No further changes to the Bylaws have been made.

The foregoing description is qualified in its entirety by the Bylaws, which are attached to this Quarterly Report on Form 10-Q and incorporated by reference herein.

In addition, on May 7, 2018, we entered into an amendment (Amendment No. 1) to the Stockholders Agreement, dated as of July 25, 2017, among us, Collectis and the other parties thereto (the Stockholders Agreement), to supplement the specified matters that require Collectis's approval for so long as Collectis owns at least 15% of the then outstanding shares of our common stock to include any appointment to, or removal from, the Board of any director. In accordance with the Stockholders Agreement, Amendment No. 1 was approved by the independent directors of the Board.

The foregoing description is qualified in its entirety by Amendment 1 to the Stockholders Agreement, which is attached to this Quarterly Report on Form 10-Q and incorporated by reference herein.

Item 6. Exhibits

(a) Index of Exhibits

<u>Exhibit Number</u>	<u>Description</u>
3.1	<u>Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on September 1, 2017)</u>
3.2*	<u>Amended and Restated Bylaws, as amended</u>
10.1*	<u>Amendment No. 1 to Stockholders Agreement dated May 7, 2018 between Collectis S.A. and Calyxt, Inc.</u>
31.1*	<u>Certification of the Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act</u>
31.2*	<u>Certification of the Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act</u>
32*	<u>Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

*Filed herewith

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on May 7, 2018.

CALYXT, INC.

By: /s/ Federico A. Tripodi

Name: Federico A. Tripodi

Title: Chief Executive Officer

By: /s/ Bryan W.J. Corkal

Name: Bryan W.J. Corkal

Title: Chief Financial Officer

AMENDED AND RESTATED BYLAWS
(as amended as of May 7, 2018)

OF

CALYXT, INC.

ARTICLE 1
OFFICES

Section 1.01. *Registered Office.* The registered office of the Corporation shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 1.02. *Other Offices.* The Corporation may also have offices at such other places both within and without the State of Delaware as the board of directors may from time to time determine or the business of the Corporation may require.

Section 1.03. *Books.* The books of the Corporation may be kept within or without the State of Delaware as the board of directors may from time to time determine or the business of the Corporation may require.

ARTICLE 2
MEETINGS OF STOCKHOLDERS

Section 2.01. *Time and Place of Meetings.* All meetings of stockholders shall be held at such place, either within or without the State of Delaware, on such date and at such time as may be determined from time to time by the board of directors (or the chairman in the absence of a designation by the board of directors).

Section 2.02. *Annual Meetings.* Unless directors are elected by written consent in lieu of an annual meeting as permitted by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended (“**Delaware Law**”), and the certificate of incorporation, an annual meeting of stockholders, commencing with the fiscal year 2018, shall be held for the election of directors and to transact such other business as may properly be brought before the meeting.

Section 2.03. *Special Meetings.* (a) Except as otherwise provided in the certificate of incorporation, special meetings of stockholders (i) may be called at any time by the affirmative vote of a majority of the entire board of directors and (ii) until the Effective Date (as such term is defined in the certificate of incorporation), shall be called by the secretary of the Corporation at the request of the holders of a majority of the then outstanding shares of the Corporation’s common stock (the “**Common Stock**”). Such request shall state the purpose or purposes of the proposed meeting.

(b) A special meeting shall be held at such date, time and place as may be fixed by the board of directors in accordance with these bylaws.

(c) Business conducted at a special meeting shall be limited to the matters described in the applicable request for such special meeting and any other matters as the board of directors shall determine.

Section 2.04. *Notice of Meetings and Adjourned Meetings; Waivers of Notice.* (a) Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the record date for determining stockholders entitled to vote at such meeting, if such record date is different from the record date for determining stockholders entitled to notice of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by Delaware Law, such notice shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder of record entitled to notice of such meeting. Unless these bylaws otherwise require, when a meeting is adjourned to another time or place (whether or not a quorum is present), notice need not be given of the adjourned meeting if the time, place, if any, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to notice of such adjourned meeting.

(b) Whenever notice is required to be given under any provision of Delaware Law or the certificate of incorporation or these bylaws, a written waiver signed by the person entitled thereto, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Neither the business to be transacted at, nor the purpose of, any regular or special meetings of stockholders need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the certificate of incorporation or these bylaws. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 2.05. *Notice of Nominations and Stockholder Business.*

(a) *Annual Meetings of Stockholders.*

(i) Nominations of persons for election to the board of directors of the Corporation or the proposal of other business to be transacted by the stockholders may be made at an annual meeting of stockholders only (A) pursuant to the Corporation's notice of meeting (or any supplement thereto), (B) by or at the direction of the board of directors or (C) by any stockholder of the Corporation

who is a stockholder of record at the time of giving of notice provided for in this Section 2.05(a), who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.05(a).

(ii) For nominations or other business to be properly brought before an annual meeting of stockholders by a stockholder pursuant to clause (C) of paragraph (a)(i) of this Section 2.05, the stockholder must have given timely notice thereof in writing to the secretary of the Corporation and any such proposed business (other than the nominations of persons for election to the board of directors) must constitute a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to or mailed and received by the secretary of the Corporation at the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting of stockholders; *provided, however*, that in the event that the date of the annual meeting is advanced more than 30 days prior to such anniversary date or delayed more than 30 days after such anniversary date then to be timely such notice must be received by the Corporation no earlier than 120 days prior to such annual meeting and no later than the later of 70 days prior to the date of the meeting or the 10th day following the day on which public announcement of the date of the meeting was first made by the Corporation. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. For purposes of Sections 2.05(a)(ii) and 2.05(b) of these bylaws, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, the Associated Press or any comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended (including the rules and regulations promulgated thereunder, the "**Exchange Act**").

(iii) A stockholder's notice to the secretary shall set forth (A) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these bylaws, the text of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made:

- (1) the name and address of such stockholder (as they appear on the Corporation's books) and any such beneficial owner;
- (2) the class or series and number of shares of capital stock of the Corporation which are held of record or are beneficially owned by such stockholder and by any such beneficial owner;
- (3) a description of any agreement, arrangement or understanding between or among such stockholder and any such beneficial owner, any of their respective affiliates or associates, and any other person or persons (including their names) in connection with the proposal of such nomination or other business;
- (4) a description of any agreement, arrangement or understanding (including, regardless of the form of settlement, any derivative, long or short positions, profit interests, forwards, futures, swaps, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions and borrowed or loaned shares) that has been entered into by or on behalf of, or any other agreement, arrangement or understanding that has been made, the effect or intent of which is to create or mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or any such beneficial owner or any such nominee with respect to the Corporation's securities (a "**Derivative Instrument**");
- (5) to the extent not disclosed pursuant to clause (4) above, the principal amount of any indebtedness of the Corporation or any of its subsidiaries beneficially owned by such stockholder or by any such beneficial owner, together with the title of the instrument under which such indebtedness was issued and a description of any Derivative Instrument entered into by or on behalf of such stockholder or such beneficial owner relating to the value or payment of any indebtedness of the Corporation or any such subsidiary;
- (6) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to bring such nomination or other business before the meeting; and
- (7) a representation as to whether such stockholder or any such beneficial owner intends or is part of a group that

intends to (i) deliver a proxy statement and/or form of proxy to holders of at least the percentage of the voting power of the Corporation's outstanding capital stock required to approve or adopt the proposal or to elect each such nominee and/or (ii) otherwise to solicit proxies from stockholders in support of such proposal or nomination.

If requested by the Corporation, the information required under clauses (C)(2), (3), (4) and (5) of the preceding sentence of this Section 2.05 shall be supplemented by such stockholder and any such beneficial owner not later than 10 days after the record date for notice of the meeting to disclose such information as of such record date.

Notwithstanding anything to the contrary, the notice requirements set forth herein with respect to the proposal of any business pursuant to this Section 2.05 other than a nomination shall be deemed satisfied by a stockholder if such stockholder has submitted a proposal to the Corporation in compliance with Rule 14a-8 promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for the meeting of stockholders.

(b) *Special Meetings of Stockholders.* Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting pursuant to Section 2.04. Nominations of persons for election to the board of directors of the Corporation at a special meeting of stockholders may be made by stockholders only if the election of directors is included as business to be brought before a special meeting in the Corporation's notice of meeting and then only by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Section 2.05(b), who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.05(b). For nominations to be properly brought before a special meeting of stockholders by a stockholder pursuant to this Section 2.05(b), the stockholder must have given timely notice thereof in writing to the secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received by the secretary of the Corporation at the principal executive offices of the Corporation (A) not earlier than 120 days prior to the date of the special meeting nor (B) later than the later of 90 days prior to the date of the special meeting or the 10th day following the day on which public announcement of the date of the special meeting was first made. A stockholder's notice to the secretary shall comply with the notice requirements of Section 2.05(a)(iii).

(c) *General.*

(i) At the request of the board of directors, any person nominated by the board of directors for election as a director shall furnish to the secretary of the Corporation the information that is required to be set forth in a stockholder's notice of nomination that pertains to the nominee. Subject to the provisions of the Stockholders Agreement (as defined herein), no person shall be eligible to be

nominated by a stockholder to serve as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 2.05. No business shall be conducted at a stockholder meeting except in accordance with the procedures set forth in Section 2.03 and this Section 2.05. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by these bylaws or that business was not properly brought before the meeting, and if he should so determine and declare, the defective nomination shall be disregarded or such business shall not be transacted, as the case may be. Notwithstanding the foregoing provisions of this Section 2.05, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or other proposed business, such nomination shall be disregarded or such proposed business shall not be transacted, as the case may be, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 2.05, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(ii) Without limiting the foregoing provisions of this Section 2.05, a stockholder shall also comply with all applicable requirements of the Exchange Act with respect to the matters set forth in this Section 2.05; *provided, however*, that any references in these bylaws to the Exchange Act are not intended to and shall not limit any requirements applicable to nominations or proposals as to any other business to be considered pursuant to this Section 2.05, and compliance with Section 2.05(a) or (b) shall be the exclusive means for a stockholder to make nominations or submit other business (other than as provided in the last paragraph of Section 2.05(a)).

Section 2.06. *Quorum.* Unless otherwise provided in the certificate of incorporation or these bylaws and subject to Delaware Law, the presence, in person or by proxy, of the holders of a majority of the then outstanding capital stock of the Corporation entitled to vote at a meeting of stockholders shall constitute a quorum for the transaction of business. If, however, such quorum shall not be present at any meeting of the stockholders, either the chairman of the meeting or a majority of the stockholders present in person or represented by proxy shall adjourn the meeting, without notice other than announcement at the meeting, until a quorum shall be present. At such adjourned meeting at which a quorum shall be present any business may be transacted which might have been transacted at the meeting as originally notified.

Section 2.07. *Voting.* (a) Unless otherwise provided in the certificate of incorporation and subject to Delaware Law, each stockholder shall be entitled to one vote

for each outstanding share of capital stock of the Corporation held by such stockholder. Any share of capital stock of the Corporation held by the Corporation shall have no voting rights. Unless otherwise provided in the certificate of incorporation or these bylaws and subject to Delaware Law, in all matters other than the election of directors, the affirmative vote of the majority of the votes cast affirmatively or negatively at the meeting at which a quorum is present and entitled to vote on the subject matter shall be the act of the stockholders. Subject to the rights of the holders of any series of preferred stock to elect additional directors under specific circumstances, directors shall be elected by a plurality of the votes of the shares of capital stock of the Corporation present in person or represented by proxy at the meeting and entitled to vote on the election of directors.

(b) Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to a corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy, appointed by an instrument in writing, subscribed by such stockholder or by his attorney thereunto authorized, or by proxy sent by cable, telegram or by any means of electronic communication permitted by law, which results in a writing from such stockholder or by his attorney, and delivered to the secretary of the meeting. No proxy shall be voted after three (3) years from its date, unless said proxy provides for a longer period.

(c) Votes may be cast by any stockholder entitled to vote in person or by his proxy. In determining the number of votes cast for or against a proposal or nominee, shares abstaining from voting on a matter (including elections) will not be treated as a vote cast.

Section 2.08. *Action by Consent.* (a) Until the Effective Date and unless otherwise provided in the certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders, or any action which may be taken at any annual or special meeting of stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding capital stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of stockholders to take the action were delivered to the Corporation as provided in Section 2.08(b).

(b) Every written consent shall bear the date of signature of each stockholder who signs the consent, and no written consent shall be effective to take the corporate

action referred to therein unless, within 60 days of the earliest dated consent delivered in the manner required by this section and Delaware Law to the Corporation, written consents signed by a sufficient number of holders to take action are delivered to the Corporation in the manner required by this Section 2.08 and Delaware Law.

Section 2.09. *Organization.* At each meeting of stockholders, the chairman of the board of directors, if one shall have been elected, or in the chairman's absence or if one shall not have been elected, the director or officer designated by the vote of the majority of the directors present at such meeting, shall act as chairman of the meeting. The secretary (or in the secretary's absence or inability to act, the person whom the chairman of the meeting shall appoint secretary of the meeting) shall act as secretary of the meeting and keep the minutes thereof.

Section 2.10. *Order of Business.* The order of business at all meetings of stockholders shall be as determined by the chairman of the meeting.

ARTICLE 3 BOARD OF DIRECTORS

Section 3.01. *General Powers.* Except as otherwise provided in Delaware Law or the certificate of incorporation, the business and affairs of the Corporation shall be managed by or under the direction of the board of directors.

Section 3.02. *Number, Election, Classes, Term of Office.* (a) Subject to the terms of any series of Preferred Stock entitled to separately elect directors, the board of directors shall consist of not less than five nor more than 11 directors, with the exact number of directors to be determined from time to time solely by resolution adopted by the affirmative vote of a majority of the entire board of directors.

(b) Until the Effective Date, all of the directors will be elected annually at the annual meeting of stockholders.

(c) From and after the Effective Date, except as otherwise provided in the terms of any series of Preferred Stock entitled to separately elect directors, the directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire board of directors. The Board of Directors is hereby authorized to assign members of the Board of Directors in office at the Effective Date to such classes. Except as otherwise provided in the certificate of incorporation, each director shall serve for a term ending on the date of the third annual meeting of stockholders next following the annual meeting at which such director was elected.

(d) Each director shall hold office until such director's successor shall have been duly elected and qualified or until such director's earlier death, resignation or removal and for a term that shall coincide with the term of the class to which such director shall have been elected. Directors need not be stockholders.

(e) There shall be no cumulative voting in the election of directors.

Section 3.03. *Quorum and Manner of Acting.* Unless the certificate of incorporation or these bylaws require a greater number, a majority of the total number of directors shall constitute a quorum for the transaction of business, and the affirmative vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors. When a meeting is adjourned to another time or place (whether or not a quorum is present), notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the board of directors may transact any business which might have been transacted at the original meeting. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat shall adjourn the meeting, from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 3.04. *Time and Place of Meetings.* The board of directors shall hold its meetings at such place, either within or without the State of Delaware, and at such time as may be determined from time to time by the board of directors (or the chairman in the absence of a determination by the board of directors).

Section 3.05. *Annual Meeting.* The board of directors shall meet for the purpose of organization, the election of officers and the transaction of other business, as soon as practicable after each annual meeting of stockholders. Notice of such meeting need not be given. In the event such annual meeting is not held on the same day and at the same place as the annual meeting of stockholders, the annual meeting of the board of directors may be held at such place either within or without the State of Delaware, on such date and at such time as shall be specified in a notice thereof given as hereinafter provided in Section 3.07 or in a waiver of notice thereof signed by any director who chooses to waive the requirement of notice.

Section 3.06. *Regular Meetings.* After the place and time of regular meetings of the board of directors shall have been determined and notice thereof shall have been once given to each member of the board of directors, regular meetings may be held without further notice being given.

Section 3.07. *Special Meetings.* Special meetings of the board of directors may be called by the chairman of the board of directors or the chief executive officer and shall be called by the secretary on the written request of at least two directors. Notice of special meetings of the board of directors shall be given to each director at least 24 hours before the date of the meeting in such manner as is determined by the board of directors.

Section 3.08. *Committees.* (a) The board of directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The board of directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such

member or members constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by Delaware Law to be submitted to the stockholders for approval or (ii) adopting, amending or repealing any bylaw of the Corporation. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

(b) Unless otherwise provided in the certificate of incorporation, these bylaws or the resolution of the board of directors designating the committee, a committee may create one or more subcommittees consisting of one or more members of such committee and delegate to such subcommittee any or all of the powers and authority of the committee.

(c) Unless the board of directors otherwise provides, each committee designated by the board of directors may make, alter and repeal rules for the conduct of its business. In the absence of such rules, each committee shall conduct its business in the same manner as the board of directors conducts its business pursuant to this Article 3.

Section 3.09. *Action by Consent.* Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions, are filed with the minutes of proceedings of the board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 3.10. *Telephonic Meetings.* Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or such committee, as the case may be, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 3.11. *Resignation.* Any director may resign at any time by giving notice in writing or by electronic transmission to the board of directors or to the secretary of the Corporation. The resignation of any director shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.12. *Vacancies.* Vacancies on the board of directors resulting from death, resignation, removal or otherwise and newly created directorships resulting from any increase in the number of directors shall, except as otherwise required by law, be filled solely by a majority of the directors then in office (although less than a quorum) or by the sole remaining director, and each director so elected shall hold office for a term that shall coincide with the term of the class to which such director shall have been elected. Subject to the terms of any series of preferred stock entitled to separately elect directors, whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the certificate of incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected. If there are no directors in office, then an election of directors may be held in accordance with Delaware Law.

Section 3.13. *Removal.* Directors may only be removed from office in the manner set forth in the certificate of incorporation. Any vacancies created by any such removal may be filled in accordance with Section 3.12 herein.

Section 3.14. *Compensation.* Unless otherwise restricted by the certificate of incorporation or these bylaws, the board of directors shall have authority to fix the compensation of directors, including fees and reimbursement of expenses.

ARTICLE 4 OFFICERS

Section 4.01. *Principal Officers.* The principal officers of the Corporation shall be a chief executive officer, a chief financial officer, one or more executive vice presidents and a secretary who shall have the duty, among other things, to record the proceedings of the meetings of stockholders and directors in a book kept for that purpose. Subject to Section 3.01, the chief executive officer shall conduct and direct generally all the day-to-day business and affairs of the Corporation. The Corporation may also have such other principal officers as the board of directors may in its discretion appoint. One person may hold the offices and perform the duties of any two or more of said offices, except that no one person shall hold the offices and perform the duties of chief executive officer and secretary.

Section 4.02. *Election, Term of Office and Remuneration.* The principal officers of the Corporation shall be elected annually by the board of directors at the annual meeting thereof. Each such officer shall hold office until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal. The remuneration of all principal officers of the Corporation shall be fixed by the board of directors. Any vacancy in any office shall be filled in such manner as the board of directors shall determine.

Section 4.03. *Subordinate Officers.* In addition to the principal officers enumerated in Section 4.01, the Corporation may have one or more assistant secretaries and such other subordinate officers, agents and employees as the board of directors may deem necessary, each of whom shall hold office for such period as the board of directors may from time to time determine. The board of directors may delegate to any principal officer the power to appoint, fix the compensation of and remove any such subordinate officers, agents or employees.

Section 4.04. *Removal.* In addition to the authority granted pursuant to Section 4.03 with respect to subordinate officers, any officer may be removed, with or without cause, at any time, by resolution adopted by the board of directors.

Section 4.05. *Resignations.* Any officer may resign at any time by giving written notice to the board of directors (or to a principal officer if the board of directors has delegated to such principal officer the power to appoint and remove such officer). The resignation of any officer shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.06. *Powers and Duties.* The officers of the Corporation shall have such powers and perform such duties incident to each of their respective offices and such other duties as may from time to time be conferred upon or assigned to them by the board of directors.

ARTICLE 5 CAPITAL STOCK

Section 5.01. *Certificates For Stock; Uncertificated Shares.* The shares of the Corporation shall be represented by uncertificated shares, *provided* that the board of directors of the Corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be certificated shares. Except as otherwise provided by law, the rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of shares represented by certificates of the same class and series shall be identical. Every holder of stock represented by certificates shall be entitled to have a certificate signed by or in the name of the Corporation by the chairman or vice chairman of the board of directors, or any vice president, and by the treasurer, an assistant treasurer, the secretary or an assistant secretary of such Corporation, representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The Corporation shall not have power to issue a certificate in bearer form.

Section 5.02. *Transfer Of Shares.* Shares of the stock of the Corporation may be transferred on the record of stockholders of the Corporation by the holder thereof or by such holder's duly authorized attorney upon surrender of a certificate therefor properly endorsed or upon receipt of proper transfer instructions from the registered holder of uncertificated shares or by such holder's duly authorized attorney and upon compliance with appropriate procedures for transferring shares in uncertificated form, unless waived by the Corporation.

Section 5.03. *Authority for Additional Rules Regarding Transfer.* The board of directors shall have the power and authority to make all such rules and regulations, not inconsistent with these bylaws, as they may deem expedient concerning the issue, transfer and registration of certificated or uncertificated shares of the stock of the Corporation, as well as for the issuance of new certificates in lieu of those which may be lost or destroyed, and may require of any stockholder requesting replacement of lost or destroyed certificates, bond in such amount and in such form as they may deem expedient to indemnify the Corporation and the transfer agents and registrars of its stock against any claims arising in connection therewith.

ARTICLE 6 GENERAL PROVISIONS

Section 6.01. *Fixing the Record Date.* (a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. If the board of directors so fixes a record date for notice of any meeting of stockholders, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the board of directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the board of directors, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided* that the board of directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting and in such case shall also fix as the record date for determining stockholders entitled to notice of such meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at such adjourned meeting in accordance with the foregoing provisions of this Section 6.01(a).

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors and shall not be more than 10 days

after the date upon which the resolution fixing the record date is adopted by the board of directors. If no record date has been fixed by the board of directors pursuant to this Section 6.01(b), the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the board of directors is required by Delaware Law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business or any officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the board of directors and prior action by the board of directors is required by Delaware Law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the board of directors adopts the resolution taking such prior action.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

Section 6.02. *Dividends.* Subject to limitations contained in Delaware Law and the certificate of incorporation, if any, the board of directors may declare and pay dividends upon the shares of capital stock of the Corporation, which dividends may be paid either in cash, in property or in shares of the capital stock of the Corporation.

Section 6.03. *Year.* The fiscal year of the Corporation shall be fixed by resolution of the board of directors.

Section 6.04. *Corporate Seal.* The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise reproduced.

Section 6.05. *Voting of Stock Owned by the Corporation.* The board of directors may authorize any person, on behalf of the Corporation, to attend, vote at and grant proxies to be used at any meeting of stockholders of any corporation (except this Corporation) in which the Corporation may hold stock.

Section 6.06. *Amendments.* These bylaws or any of them, may be altered, amended or repealed, or new bylaws may be made, by the stockholders entitled to vote thereon at any annual or special meeting thereof or by the board of directors. Unless a

higher percentage is required by the certificate of incorporation as to any matter that is the subject of these bylaws, all such amendments must be approved by (i) the board of directors or (ii) the affirmative vote of the holders of not less than (x) a majority of the then outstanding capital stock of the Corporation entitled to vote at a meeting of stockholders, in the case of any such amendment prior to the Effective Date, and (y) 66 2/3% of the then outstanding capital stock of the Corporation entitled to vote at a meeting of stockholders, in the case of any such amendment on or after the Effective Date.

Section 6.07. *Stockholders Agreement.* For so long as that certain Stockholders Agreement, dated as of July 25, 2017, by and among the Corporation and the Parent (as such term is defined in the certificate of incorporation) (as amended from time to time, the “**Stockholders Agreement**”), is in effect, the provisions of the Stockholders Agreement shall be incorporated by reference into the relevant provisions hereof, and such provisions shall be interpreted and applied in a manner consistent with the terms of the Stockholders Agreement.

Section 6.08. *Indemnification and Advancement of Expenses.* The Corporation hereby acknowledges that certain current and past directors, each of whom is affiliated with the Parent (each, a “**Collectis Director**”), have certain rights to indemnification and advancement of expenses pursuant to Indemnification Agreements between the Corporation and such Collectis Director (the “**Indemnification Agreements**”) and Article 7 of the certificate of incorporation and to insurance provided by the Corporation and that the Collectis Directors may have certain rights to indemnification, advancement of expenses and insurance from the Parent and certain of its affiliates. The Corporation hereby agrees (i) that it is the indemnitor of first resort (i.e., its obligations to such person are primary and any obligation of the Parent and its affiliates to advance expenses or to provide indemnification for the same expenses or liabilities incurred by such person are secondary) with respect to any actions, costs, charges, losses, damages or expenses incurred or sustained in connection with the execution by such person of his or her duties as a director of the Corporation, (ii) that it shall be required to advance the full amount of such expenses incurred by such person and shall be liable for the full amount of all such expenses, judgments, penalties, fines and amounts paid in settlement to the extent legally permitted and as required by the certificate of incorporation and the Indemnification Agreements, without regard to any rights such person may have, or may be pursuing, against the Parent and its affiliates, and (iii) that it irrevocably waives, relinquishes and releases the Parent and its affiliates from any and all claims against the Parent and its affiliates for contribution, subrogation or any other recovery of any kind in respect thereof. The Corporation further agrees that no advancement or payment by the Parent and its affiliates on behalf of a Collectis Director with respect to any claim for which such Collectis Director is entitled to indemnification or advancement of expenses from the Corporation shall affect the foregoing and the Parent and its affiliates shall be subrogated to the extent of such advancement or payment to all of the rights of recovery of such Collectis Director against the Corporation. The Corporation and the Collectis Directors agree that the Parent and its affiliates are express third-party beneficiaries of this Section 6.08.

AMENDMENT NO. 1
TO
STOCKHOLDERS AGREEMENT

This AMENDMENT NO. 1 TO STOCKHOLDERS AGREEMENT (this "***Amendment***"), is made and entered into as of May 7, 2018 by and among Calyxt, Inc., a Delaware corporation (the "***Company***") and Collectis S.A., a French *société anonyme* ("***Collectis***"). Terms used, but not otherwise defined, in this Amendment have the meaning assigned to them in the Stockholders Agreement dated July 25, 2017 among the Company, Collectis and the persons listed on Schedule A thereto (the "***Stockholders Agreement***").

RECITALS

WHEREAS, the parties to this Amendment are parties to the Stockholders' Agreement; and

WHEREAS, in accordance with Section 6.07 of the Stockholders' Agreement, the parties to this Amendment wish to amend the Stockholders Agreement as provided herein;

WHEREAS, in accordance with Section 6.8 of the Stockholders Agreement, the Company, with the approval of the independent directors of the Company, and Collectis have each approved this Amendment; and

WHEREAS, Collectis is the holder of a majority of the Registrable Securities.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

1. **Amendment to Stockholders' Agreement**. (a) Section 3.05(b)(v) is hereby amended and restated in its entirety to read as follows: "(v) any appointment to, or removal from, the Board of Directors, to the extent permissible by the laws of the State of Delaware."

(b) To replace the address of Calyxt for notices set forth in Section 6.11 as follows:

Calyxt, Inc.
600 County Road D West
Suite 8
New Brighton, MN 55112
Attention: Federico Tripodi, Chief Executive Officer
E-mail: federico.tripodi@calyxt.com

2. **Effect on Stockholders Agreement**. Except as expressly amended and modified herein, the provisions of the Stockholders Agreement are and shall remain in full force and effect and are hereby confirmed.

3. **Governing Law**. This Amendment is governed by and will be construed in accordance with the laws of the State of Delaware, excluding any conflict-of-laws rule or principle (whether of Delaware or any other jurisdiction) that might refer the governance or the construction of this Agreement to the law of another jurisdiction.

4. Jurisdiction. Each of the parties to this Amendment (a) consents to submit itself to the personal jurisdiction of the Court of Chancery of the State of Delaware in the event any dispute arises out of this Amendment, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from such court and (c) agrees that it will not bring any action relating to this Amendment in any court other than the Court of Chancery of the State of Delaware. Each party to this Amendment hereby agrees that, to the fullest extent permitted by law, service of any process, summons, notice or document by U.S. registered mail to the respective addresses set forth in Section 6.11 of the Stockholders Agreement (as amended by this Amendment) shall be effective service of process for any suit or proceeding in connection with this Amendment.

5. Waiver of Jury Trial. EACH OF THE PARTIES TO THIS AMENDMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE ACTIONS OF THE PARTIES IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT THEREOF.

6. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be an original, but all of which together shall comprise one and the same instrument.

IN WITNESS WHEREOF, the parties have duly executed this Amendment as of the day and year first written above.

CALYXT, INC.

/s/ Federico A. Tripodi

Name: Federico A. Tripodi

Title: Chief Executive Officer

CELLECTIS S.A.

/s/ André Choulika

Name: André Choulika

Title: Chief Executive Officer

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT, AS AMENDED**

I, Federico A. Tripodi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Calyxt, 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)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any 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: May 7, 2018

/s/ Federico A. Tripodi

Federico A. Tripodi
Chief Executive Officer

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT, AS AMENDED**

I, Bryan W.J. Corkal, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Calyxt, 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)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any 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: May 7, 2018

/s/ Bryan W.J. Corkal

Bryan W.J. Corkal
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Calyxt, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned 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; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 7, 2018

/s/ Federico A. Tripodi

Federico A. Tripodi
Chief Executive Officer

/s/ Bryan W.J. Corkal

Bryan W.J. Corkal
Chief Financial Officer