TEJON RANCH CO
Form 10-Q
May 07, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)
x 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: 1-7183

TEJON RANCH CO.
(Exact name of Registrant as specified in its charter)

Delaware	77-0196136
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

P.O. Box 1000, Tejon Ranch, California 93243
(Address of principal executive offices)
Registrant's telephone number, including area code: (661) 248-3000

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 x 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 x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ¨ Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨
Emerging growth company ¨
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The number of the Company's outstanding shares of Common Stock on April 30, 2018 was 25,950,242.

TEJON RANCH CO. AND SUBSIDIARIES
TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TEJON RANCH CO. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2018	2017
Revenues:		
Real estate - commercial/industrial	$2,154	$2,189
Mineral resources	9,131	2,001
Farming	1,195	431
Ranch operations	989	1,081
Total revenues	13,469	5,702
Costs and Expenses:		
Real estate - commercial/industrial	1,319	1,743
Real estate - resort/residential	415	630
Mineral resources	4,231	1,324
Farming	1,838	1,323
Ranch operations	1,389	1,493
Corporate expenses	2,732	2,751
Total expenses	11,924	9,264
Operating income (loss)	1,545	(3,562)
Other Income:		
Investment income	283	103
Other income, net	(14)	(14)
Total other income	269	89
Income (loss) from operations before equity in earnings of unconsolidated joint ventures	1,814	(3,473)
Equity in earnings of unconsolidated joint ventures, net	167	228
Income (loss) before income tax expense	1,981	(3,245)
Income tax expense (benefit)	526	(1,332)
Net income (loss)	1,455	(1,913)
Net loss attributable to non-controlling interest	(2)	(11)
Net income (loss) attributable to common stockholders	$1,457	$(1,902)
Net income (loss) per share attributable to common stockholders, basic	$0.06	$(0.09)
Net income (loss) per share attributable to common stockholders, diluted	$0.06	$(0.09)

See accompanying notes.

TEJON RANCH CO. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Three Months Ended March 31,	
	2018	2017
Net income (loss)	$1,455	$(1,913)
Other comprehensive income (loss):		
Unrealized (loss) gain on available-for-sale securities	(302)	38
Unrealized gain on interest rate swap	1,328	374
Other comprehensive income before taxes	1,026	412
Provision from income taxes related to other comprehensive income (loss) items	(216)	(162)
Other comprehensive income	810	250
Comprehensive income (loss)	2,265	(1,663)
Comprehensive loss attributable to non-controlling interests	(2)	(11)
Comprehensive income (loss) attributable to common stockholders	$2,267	$(1,652)

See accompanying notes.

TEJON RANCH CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	March 31, 2018 (unaudited)	December 31, 2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 19,479	$ 20,107
Marketable securities - available-for-sale	71,109	70,868
Accounts receivable	4,175	7,608
Inventories	4,750	2,469
Prepaid expenses and other current assets	2,475	2,849
Total current assets	101,988	103,901
Real estate and improvements - held for lease, net	19,022	19,115
Real estate development (includes $92,194 at March 31, 2018 and $94,271 at December 31, 2017, attributable to Centennial Founders, LLC, Note 15)	270,064	267,336
Property and equipment, net	45,383	45,332
Investments in unconsolidated joint ventures	30,098	30,031
Net investment in water assets	49,478	47,130
Deferred tax assets	1,346	1,562
Other assets	3,230	3,792
TOTAL ASSETS	$ 520,609	$ 518,199
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade accounts payable	$ 4,274	$ 3,545
Accrued liabilities and other	3,261	1,810
Deferred income	1,617	1,118
Revolving line of credit	—	—
Current maturities of long-term debt	3,990	4,004
Total current liabilities	13,142	10,477
Long-term debt, less current portion	64,849	65,816
Long-term deferred gains	3,405	3,405
Other liabilities	10,006	11,691
Total liabilities	91,402	91,389
Commitments and contingencies		
Equity:		
Tejon Ranch Co. Stockholders' Equity		
Common stock, $.50 par value per share:		
Authorized shares - 30,000,000		
Issued and outstanding shares - 25,949,822 at March 31, 2018 and 25,894,773 at December 31, 2017	12,971	12,947
Additional paid-in capital	320,275	320,167
Accumulated other comprehensive loss	(4,454)	(5,264)
Retained earnings	71,849	70,392
Total Tejon Ranch Co. Stockholders' Equity	400,641	398,242
Non-controlling interest	28,566	28,568
Total equity	429,207	426,810
TOTAL LIABILITIES AND EQUITY	$ 520,609	$ 518,199

See accompanying notes.

TEJON RANCH CO. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three Months Ended March 31,	
	2018	2017
Operating Activities		
Net income (loss)	$1,455	$(1,913)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	1,071	1,150
Amortization of premium/discount of marketable securities	35	86
Equity in earnings of unconsolidated joint ventures	(167)	(228)
Non-cash retirement plan expense	41	255
Gain on sale of real estate/assets	36	—
Stock compensation expense	948	811
Excess tax benefit from stock-based compensation	22	142
Changes in operating assets and liabilities:		
Receivables, inventories and other assets, net	2,001	(1,175)
Current liabilities	1,527	302
Net cash provided (used) by operating activities	6,969	(570)
Investing Activities		
Maturities and sales of marketable securities	10,942	2,671
Funds invested in marketable securities	(11,520)	(255)
Real estate and equipment expenditures	(3,779)	(4,247)
Communities Facilities District and other reimbursements	1,385	—
Investment in unconsolidated joint ventures	—	(20)
Distribution of equity from unconsolidated joint ventures	181	2,087
Investments in long-term water assets	(2,659)	(4,276)
Net cash used in investing activities	(5,450)	(4,040)
Financing Activities		
Borrowings of short-term debt	—	8,300
Repayments of long-term debt	(985)	(938)
Rights offering costs	(166)	—
Taxes on vested stock grants	(996)	(514)
Net cash (used) provided by financing activities	(2,147)	6,848
Decrease (increase) in cash and cash equivalents	(628)	2,238
Cash and cash equivalents at beginning of period	20,107	1,258
Cash and cash equivalents at end of period	$19,479	$3,496
Supplemental cash flow information		
Accrued capital expenditures included in current liabilities	$673	$744
Non cash capital contribution to unconsolidated joint venture	$—	$1,339

See accompanying notes.

TEJON RANCH CO. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND NONCONTROLLING INTERESTS
(In thousands, except shares outstanding)

	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance, December 31, 2017	25,894,773	$12,947	$320,167	$ (5,264)	$70,392	$ 398,242	$ 28,568	$426,810
Net income (loss)	—	—	—	—	1,457	1,457	(2)	1,455
Other comprehensive income	—	—	—	810	—	810	—	810
Rights offering costs			(166)			(166)		(166)
Restricted stock issuance	89,480	45	(45)	—	—	—	—	—
Stock compensation	—	—	1,294	—	—	1,294	—	1,294
Shares withheld for taxes and tax benefit of vested shares	(42,773)	(21)	(975)	—	—	(996)	—	(996)
Balance March 31, 2018	25,941,480	$12,971	$320,275	$ (4,454)	$71,849	$ 400,641	$ 28,566	$429,207

See accompanying notes.

TEJON RANCH CO. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The summarized information of Tejon Ranch Co. and its subsidiaries (the Company, Tejon, we, us and our), furnished pursuant to Part I, Item 1 of Form 10-Q, is unaudited and reflects all adjustments which are, in the opinion of the Company's management, necessary for a fair statement of the results for the interim period. All such adjustments are of a normal recurring nature. We have evaluated subsequent events through the date of issuance of our consolidated financial statements.

The periods ending March 31, 2018 and 2017 include the consolidation of Centennial Founders, LLC's statement of operations within the resort/residential real estate development segment and statements of cash flows. The Company's March 31, 2018 and December 31, 2017 balance sheets and statements of changes in equity and noncontrolling interests are presented on a consolidated basis, including the consolidation of Centennial Founders, LLC.

The Company has identified five reportable segments: commercial/industrial real estate development, resort/residential real estate development, mineral resources, farming, and ranch operations. Information for the Company's reportable segments are presented in its Consolidated Statements of Operations. The Company's reportable segments follow the same accounting policies used for the Company's consolidated financial statements. We use segment profit or loss, along with equity in earnings of unconsolidated joint ventures, as the primary measure of profitability to evaluate operating performance and to allocate capital resources.

The results of the period reported herein are not indicative of the results to be expected for the full year due to the seasonal nature of the Company's agricultural activities, water activities, and the timing of real estate sales and leasing activities. Historically, the Company's largest percentages of farming revenues are recognized during the third and fourth quarters of the fiscal year.

For further information and a summary of significant accounting policies, refer to the Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Recent Accounting Pronouncements

Lease Accounting

In February 2016, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2016-02, "Leases." From the lessee's perspective, the new standard establishes a right-of-use, or ROU, model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement for a lessee. From the lessor's perspective, the new standard requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing lease. If the lessor doesn't convey risks and rewards or control, an operating lease results.

The ASU is effective no later than January 1, 2019, with early adoption permitted. The ASU requires the identification of lease and non-lease components of a lease agreement. This ASU will govern the recognition of revenue for lease components. Revenue related to non-lease components under our lease agreements will be subject to the new revenue recognition standard effective upon adoption of the new

lease accounting standard. The Company is currently in the process of evaluating the impact of the adoption of this ASU on the Company’s consolidated financial statements.

Newly Adopted Accounting Pronouncements

Postretirement Benefits

In March 2017, the FASB issued ASU 2017-07 "Compensation - Retirement Benefits (Topic 715)", which requires employers who offer defined benefit pension plans or other post-retirement benefit plans to report the service cost component within the same income statement caption as other compensation costs arising from services rendered by employees during the period. The ASU also requires the other components of net periodic benefit cost to be presented separately from the service cost component, in a caption outside of a subtotal of income from operations. Additionally, the ASU provides that only the service cost component is eligible for capitalization. As a result of the adoption, the Company reclassified $194,000 from Corporate expenses to Other income, net for the three months ended March 31, 2017.

Other Income

In February 2017, the FASB issued ASU 2017-05 "Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20)", effective for the annual reporting period beginning after the December 15, 2017, including the interim reporting period within that period. This update provides guidance on the recognition of gains and losses on transfers of nonfinancial assets and in substance nonfinancial assets to counterparties that are not customers.

As of January 1, 2018, the Company began accounting for the sale of real estate properties under Subtopic 610-20 which provides for revenue recognition based on transfer of ownership.

The new standard may be applied retrospectively to each prior period presented or prospectively with the cumulative effect, if any, recognized as of the date of adoption. The Company selected the modified retrospective transition method. The adoption of the standard did not result in a cumulative adjustment recognized as of January 1, 2018 and the standard did not have any impact on the Company’s prior period financial statements. During the quarter ended March 31, 2018, the Company had no sales or transfers of nonfinancial assets to customers.

Financial Instruments

In January 2016, the FASB issued ASU 2016-01, "Financial Statements - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," which requires equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) to be measured at fair value with changes in fair value recognized in net income. There will no longer be an available-for-sale classification for equity securities with readily determinable fair values.

We adopted the new ASU during the first quarter of 2018. The ASU requires the use of the modified retrospective transition method, under which cumulative unrealized gains and losses related to equity investments with readily determinable fair values will be reclassified from accumulated other comprehensive income to retained earnings on January 1, 2018 upon adoption of this ASU. The guidance related to equity investments without readily determinable fair values will be applied prospectively to all investments that exist as of the date of adoption. The adoption of this new ASU did not impact the Company's investment portfolio as it is comprised of fixed income investments and not equity investments.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 supersedes the current revenue recognition guidance, including industry-specific guidance.

The guidance introduces a five-step model to achieve its core principal of the entity recognizing revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The five-step model requires that we (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) we satisfy the performance obligation.

In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)." ASU 2016-08 provides specific guidance to determine whether an entity is providing a specified good or service itself or is arranging for the good or service to be provided by another party.

Entities can use either a full retrospective or modified retrospective method to adopt this ASU. Under the full retrospective method, all periods presented will be restated upon adoption to conform to the new standard and a cumulative adjustment for effects on periods prior to 2016 will be recorded to retained earnings as of January 1, 2016. Under the modified retrospective approach, prior periods are not restated to conform to the new standard. Instead, a cumulative adjustment for effects of applying the new standard to periods prior to 2018 is recorded to retained earnings as of January 1, 2018. Additionally, incremental footnote disclosures are required to present the 2018 revenues under the prior standard. Under the modified retrospective method, an entity may also elect to apply the standard to either (i) all contracts as of January 1, 2018, or (ii) only to contracts that are not completed as of January 1, 2018. During the first quarter of 2018, we adopted the revenue recognition ASU using the full retrospective method. Based on our evaluation of all contracts within scope, under previous accounting standards, and under the new revenue recognition ASU, we noted no significant differences in the amounts recognized or the pattern of recognition. Management however noted that the application of Topic 606 impacts the accounting for land sales where the Company has continued involvement or performance obligations that are essential to the land sale. Previous guidance required the Company to recognize revenue from land sales with continued involvement using a percentage completion method based on the total cost of the performance obligations. After adopting Topic 606, the Company was required to allocate the transaction price, on land sales with multiple performance obligations, to the performance obligations in proportion to their standalone selling prices (i.e., on a relative standalone selling price basis) and not total costs.

During 2016, the Company sold a land parcel to a third party. Under the terms of the purchase and sale agreement, the Company was obligated to complete specific infrastructure and landscaping adjacent to the land parcel that were deemed essential to the third party. When applying the guidance under Topic 606, the purchase price allocated to the multiple performance obligations yielded a different result than when applying the current guidance.

Under the previous guidance, during the second quarter of 2017, the Company recognized $475,000 and $411,000 of revenues and profit from sale of land, respectively. Under Topic 606, the Company, during the second quarter, will recognize $73,000 and $9,000 of revenues and profit from sale of land, respectively.

No other differences were noted during our evaluation.

Please also refer to Item 2. Critical Accounting Policies in this report for discussion on changes to critical accounting policies.

2. EQUITY

Earnings Per Share (EPS)

Basic net income per share attributable to common stockholders is based upon the weighted average number of shares of common stock outstanding during the year. Diluted net income per share attributable to common stockholders is based upon the weighted-average number of shares of common stock outstanding and the weighted average number of shares outstanding assuming the vesting of restricted stock grants per ASC 260, “Earnings Per Share.”

	Three Months Ended March 31,	
	2018	2017
Weighted average number of shares outstanding:		
Common stock	25,912,819	20,827,993
Common stock equivalents-stock options, grants	28,509	47,052
Diluted shares outstanding	25,941,328	20,875,045

3. MARKETABLE SECURITIES

ASC 320, “Investments – Debt and Equity Securities” requires that an enterprise classify all debt securities as either held-to-maturity, trading or available-for-sale. The Company has elected to classify its securities as available-for-sale and therefore is required to adjust securities to fair value at each reporting date. All costs and both realized and unrealized gains and losses on securities are determined on a specific identification basis. The following is a summary of available-for-sale securities at:

($ in thousands)		March 31, 2018		December 31, 2017	
Marketable Securities:	Fair Value Hierarchy	Cost	Fair Value	Cost	Fair Value
Certificates of deposit					
with unrecognized losses for less than 12 months		$7,368	$7,315	$6,238	$6,222
with unrecognized losses for more than 12 months		101	100	102	100
with unrecognized gains		296	296	2,088	2,089
Total Certificates of deposit	Level 1	7,765	7,711	8,428	8,411
U.S. Treasury and agency notes					
with unrecognized losses for less than 12 months		29,940	29,757	29,741	29,669
with unrecognized losses for more than 12 months		136	135	137	135
with unrecognized gains		2	3	152	153
Total U.S. Treasury and agency notes	Level 2	30,078	29,895	30,030	29,957
Corporate notes					
with unrecognized losses for less than 12 months		22,624	22,425	18,230	18,159
with unrecognized losses for more than 12 months		2,535	2,511	2,804	2,788
with unrecognized gains		—	—	—	—
Total Corporate notes	Level 2	25,159	24,936	21,034	20,947
Municipal notes					
with unrecognized losses for less than 12 months		7,401	7,372	10,298	10,288
with unrecognized losses for more than 12 months		1,054	1,041	999	987
with unrecognized gains		152	154	277	278
Total Municipal notes	Level 2	8,607	8,567	11,574	11,553
		$71,609	$71,109	$71,066	$70,868

We evaluate our securities for other-than-temporary impairment based on the specific facts and circumstances surrounding each security valued below its cost. Factors considered include the length of time the securities have been valued below cost, the financial condition of the issuer, industry reports related to the issuer, the severity of any decline, our intention not to sell the security, and our assessment as to whether it is not more likely than not that we will be required to sell the security before a recovery of its amortized cost basis. We then segregate the loss between the amounts representing a decrease in cash flows expected to be collected, or the credit loss, which is recognized through earnings, and the balance of the loss, which is recognized through other comprehensive income. At March 31, 2018, the fair market value of investment securities was $500,000 less than their cost basis.

As of March 31, 2018, the adjustment to accumulated other comprehensive loss in consolidated equity for the temporary change in the value of securities reflected an increase in the market value of available-for-sale securities of $302,000, which includes estimated taxes of $64,000. As of March 31, 2018, the Company’s gross unrealized holding gains equaled $3,000 and gross unrealized holding losses equaled $503,000.

The following tables summarize the maturities, at par, of marketable securities as of:

	March 31, 2018				
($ in thousands)	2018	2019	2020	2021	Total
Certificates of deposit	$3,647	$2,311	$1,799	$—	$7,757
U.S. Treasury and agency notes	6,176	14,849	9,174	—	30,199
Corporate notes	9,482	7,985	7,150	400	25,017
Municipal notes	1,443	5,157	2,000	—	8,600
	$20,748	$30,302	$20,123	$400	$71,573

	December 31, 2017			
($ in thousands)	2018	2019	2020	2021

failure or discontinuation of any of our research programs;

issuance of new or changed securities analysts reports or recommendations;

failure or delay in establishing new strategic alliances, or the terms of those alliances;

market conditions in the pharmaceutical, biotechnology and other healthcare-related sectors;

actual or anticipated fluctuations in our quarterly financial and operating results;

developments or disputes concerning our intellectual property or other proprietary rights;

Table of Contents

introduction of technological innovations or new products by us or our competitors;

issues in manufacturing our drug candidates or drugs;

market acceptance of our drugs;

third-party healthcare coverage and reimbursement policies;

FDA or other U.S. or foreign regulatory actions affecting us or our industry;

litigation or public concern about the safety of our drug candidates or drugs;

additions or departures of key personnel;

substantial sales of our common stock by our existing stockholders, whether or not related to our performance;

automated trading activity by algorithmic and high-frequency trading programs; and

volatility in the stock prices of other companies in our industry or in the stock market generally.

These and other external factors may cause the market price and demand for our common stock to fluctuate substantially, which may limit or prevent investors from readily selling their shares of common stock and may otherwise negatively affect the liquidity of our common stock. In addition, when the market price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the company that issued the stock. If any of our stockholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert our management s time and attention.

If the ownership of our common stock continues to be highly concentrated, it may prevent you and other stockholders from influencing significant corporate decisions and may result in conflicts of interest that could cause our stock price to decline.

As of February 27, 2015, our executive officers, directors and their affiliates beneficially owned or controlled approximately 6.6% of the outstanding shares of our common stock (after giving effect to the exercise of all outstanding vested and unvested options, restricted stock units and warrants). Accordingly, these executive officers, directors and their affiliates, acting as a group, will have substantial influence over the outcome of corporate actions requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or any other significant corporate transactions. These stockholders may also delay or prevent a change of control of us, even if such a change of control would benefit our other stockholders. The significant concentration of stock ownership may adversely affect the trading price of our common stock due to investors perception that conflicts of interest may exist or arise.

Volatility in the stock prices of other companies may contribute to volatility in our stock price.

The stock market in general, and the NASDAQ stock exchanges and the market for technology companies in particular, have experienced significant price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Further, there has been particular volatility in the market prices of securities of early stage and clinical stage life sciences companies. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of a company s securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs, potential liabilities and the diversion of management s attention and resources, and could harm our reputation and business.

Our common stock is thinly traded and there may not be an active, liquid trading market for our common stock.

There is no guarantee that an active trading market for our common stock will be maintained on NASDAQ, or that the volume of trading will be sufficient to allow for timely trades. Investors may not be able to sell their

Table of Contents

shares quickly or at the latest market price if trading in our stock is not active or if trading volume is limited. In addition, if trading volume in our common stock is limited, trades of relatively small numbers of shares may have a disproportionate effect on the market price of our common stock.

Our stockholders will experience substantial additional dilution if outstanding options or warrants are exercised for common stock.

As of February 27, 2015, there were 6,691,096 shares of common stock issuable upon the exercise of warrants, having a weighted average exercise price of $6.05 per share, and 4,147,929 shares of common stock issuable upon the exercise of stock options outstanding, having a weighted average exercise price of $11.50 per share. The exercise of outstanding options or warrants for common stock would be substantially dilutive to the outstanding shares of common stock. Any dilution or potential dilution may cause our stockholders to sell their shares, which would contribute to a downward movement in the stock price of our common stock.

Ownership changes may limit our ability to use our net operating losses and tax credits in the future.

In general, under Section 382 of the Internal Revenue Code (Section 382), a corporation that undergoes an ownership change is subject to limitations on its ability to utilize its pre-change net operating losses and tax credits to offset future taxable income. We have performed a Section 382 analysis and do not believe that we have experienced an ownership change since 2006. A portion of our existing net operating losses and tax credits are subject to limitations arising from previous ownership changes. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 and result in additional limitations. We intend to continue to monitor public filings made by third parties with the SEC to assess whether an ownership change under Section 382 has occurred. Our ability to accurately assess any such ownership change is limited by the timeliness and accuracy of these public filings.

Evolving regulation of corporate governance and public disclosure may result in additional expenses, use of resources and continuing uncertainty.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and new SEC regulations and NASDAQ Stock Market LLC rules create uncertainty for public companies. We regularly evaluate and monitor developments with respect to new and proposed laws, regulations and standards. We cannot accurately predict or estimate the amount of the additional costs we may incur in connection with complying with such laws, regulations and standards or the timing of these costs. For example, compliance with the internal control requirements of Section 404 of the Sarbanes-Oxley Act has to date required us to commit significant resources to document and test the adequacy of our internal control over financial reporting. We can provide no assurance as to conclusions of management or by our independent registered public accounting firm with respect to the effectiveness of our internal control over financial reporting in the future. In addition, the SEC has adopted regulations that require us to file corporate financial statement information in an interactive data format known as XBRL. We may incur significant costs and need to invest considerable resources to remain in compliance with these regulations.

These new or changed laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to maintain high standards of corporate governance and public disclosure. As a result, we intend to invest the resources necessary to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies, due to

Table of Contents

ambiguities related to practice or otherwise, regulatory authorities may initiate legal proceedings against us, which could be costly and time-consuming, and our reputation and business may be harmed.

We have never paid dividends on our capital stock, and we do not anticipate paying any cash dividends in the foreseeable future.

We have paid no cash dividends on any of our classes of capital stock to date and we currently intend to retain our future earnings, if any, to fund the development and growth of our businesses. In addition, the terms of existing or any future debts may preclude us from paying these dividends.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Our facilities consist of approximately 81,587 square feet of research and office space. We lease 50,195 square feet located at 280 East Grand Avenue, and 31,392 square feet at 256 East Grand Avenue, in South San Francisco, California until 2018 with an option to renew the lease for an additional three years. We believe that these facilities are suitable and adequate for our current needs.

Item 3. ***Legal Proceedings***

On December 1, 2014, we filed a lawsuit in the U.S. District Court for the Northern District of California, captioned Cytokinetics, Inc. v. Pharm-Olam International, Ltd., Case No. 3:14-cv-05256 (the California Lawsuit). This lawsuit alleges fraudulent inducement, breach of contract and negligence by Pharm-Olam International, Ltd. (Pharm-Olam) in connection with its performance as the data management vendor for the BENEFIT-ALS clinical trial. Under the agreement between Pharm-Olam and us, Pharm-Olam was obligated to provide a variety of services, including building and maintaining the electronic system for BENEFIT-ALS that combined the electronic data capture (EDC) for clinical data and the interactive web response system (IWRS) used for patient randomization and treatment assignments to either tirasemtiv or placebo. Pharm-Olam s failure to conduct these services in accordance with the agreement, regulatory requirements and industry standards resulted in programming errors in the IWRS which caused delay of the trial and additional expenses. We are seeking monetary damages from Pharm-Olam. On January 23, 2015, Pharm-Olam filed a motion to dismiss the complaint, or in the alternative, to transfer the California Lawsuit to U.S. District Court for the Middle District of North Carolina. The hearing on that motion is currently set for March 20, 2015.

On November 28, 2014, Pharm-Olam filed a lawsuit in the U.S. District Court for the Middle District of North Carolina, captioned Pharm-Olam International, Ltd. v. Cytokinetics, Inc. and Datatrak International, Inc., Civil Action No. 1:14-cv-01000 (the North Carolina Lawsuit). In this lawsuit, Pharm-Olam is seeking declaratory judgments that (1) the limitation of liability provisions in the agreement between Pharm-Olam and us are enforceable and limit Pharm-Olam s liability for the claims asserted by us to the direct services fees, and (2) Pharm-Olam s subcontractor, Datatrak International, Inc. (Datatrak), the provider of the core EDC and IWRS system for BENEFIT-ALS, must indemnify, defend and hold harmless Pharm-Olam for the claims asserted against it by Cytokinetics, pursuant to the indemnification provision in the agreement between Pharm-Olam and Datatrak. On December 17, 2014, we filed a motion to dismiss or transfer the North Carolina Lawsuit to the U.S. District Court for the Northern District of California based on lack of jurisdiction and improper venue.

Item 4. ***Mine Safety Disclosures***

Not applicable.

Table of Contents

PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Prior to our initial public offering on April 29, 2004, there was no public market for our common stock. Our common stock was quoted under the symbol CYTK on the NASDAQ Global Market from the date of our initial public offering through December 19, 2012, and has since been quoted on the NASDAQ Capital Market. The following table sets forth the high and low closing sales price per share of our common stock as reported on the NASDAQ Global Market or NASDAQ Capital Market, as applicable, for the periods indicated (as adjusted for the one-for-six reverse split of our common stock which became effective June 24, 2013).

	Closing Sale Price	
	High	**Low**
2013:		
First Quarter	$ 7.14	$ 4.02
Second Quarter	$ 12.96	$ 6.42
Third Quarter	$ 13.82	$ 7.57
Fourth Quarter	$ 7.47	$ 6.01
2014:		
First Quarter	$ 10.55	$ 6.72
Second Quarter	$ 12.99	$ 4.01
Third Quarter	$ 4.90	$ 3.52
Fourth Quarter	$ 8.01	$ 3.07

On February 27, 2015, the last reported sale price for our common stock on the NASDAQ Capital Market was $7.71 per share. We currently expect to retain future earnings, if any, for use in the operation and expansion of our business and have not paid and do not in the foreseeable future anticipate paying any cash dividends. As of February 27, 2015, there were 72 holders of record of our common stock.

Table of Contents

Equity Compensation Information

Information regarding our equity compensation plans and the securities authorized for issuance thereunder is set forth in Part III, Item 12.

Comparison of Historical Cumulative Total Return Among Cytokinetics, Incorporated, the NASDAQ Stock Market (U.S.) Index and the NASDAQ Biotechnology Index(*)

(*) The above graph shows the cumulative total stockholder return of an investment of $100 in cash from December 31, 2009 through December 31, 2014 for: (i) our common stock; (ii) the NASDAQ Stock Market (U.S.) Index; and (iii) the NASDAQ Biotechnology Index. All values assume reinvestment of the full amount of all dividends. Stockholder returns over the indicated period should not be considered indicative of future stockholder returns.

	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
Cytokinetics, Incorporated	$ 100.00	$ 71.82	$ 32.99	$ 22.68	$ 37.23	$ 45.88
NASDAQ Composite Index	$ 100.00	$ 116.91	$ 114.81	$ 133.07	$ 184.06	$ 208.71
NASDAQ Biotechnology Index	$ 100.00	$ 115.01	$ 128.59	$ 169.61	$ 324.80	$ 376.68

The information contained under this caption Comparison of Historical Cumulative Total Return Among Cytokinetics, Incorporated, the NASDAQ Stock Market (U.S.) Index and the NASDAQ Biotechnology Index shall not be deemed to be soliciting material or to be filed with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.

Sales of Unregistered Securities

On December 26, 2014, we sold 2,040,816 shares of our common stock at a price per share of $4.90 and an aggregate purchase price of $10.0 million to Astellas.

We relied on the exemption from registration contained in Section 4(2) of the Securities Act, and Regulation D, Rule 506 thereunder, in connection with the issuance and sale of the common stock to Astellas.

Table of Contents

Item 6. ***Selected Financial Data***

The following selected financial data should be read in conjunction with Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 8, Financial Statements and Supplemental Data of this report on Form 10-K.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(In thousands, except per share amounts)				
Statement of Operations Data:					
Revenues:					
Research and development revenues from related parties(1)	$ 19,538	$ 2,019	$ 4,177	$ 2,054	$ 1,487
Research and development, grant and other revenues	17,566	7,547	3,382	1,946	1,090
License revenues from related parties(1)		17,230			
License revenues	9,836	3,852			
Total revenues	46,940	30,648	7,559	4,000	2,577
Operating expenses:					
Research and development	44,426	49,450	35,643	37,182	38,013
General and administrative	17,268	15,092	12,429	13,590	14,199
Restructuring charges (reversals)			(56)	1,192	
Total operating expenses	61,694	64,542	48,016	51,964	52,212
Operating income loss	(14,754)	(33,894)	(40,457)	(47,964)	(49,635)
Interest and other, net	108	177	87	104	172
Income (loss) before income taxes	(14,646)	(33,717)	(40,370)	(47,860)	(49,463)
Income tax provision (benefit)					(176)
Net loss	(14,646)	(33,717)	(40,370)	(47,860)	(49,287)
Deemed dividend related to beneficial conversion feature of convertible preferred stock			(1,307)	(2,857)	
Net loss allocable to common stockholders:	$ (14,646)	$ (33,717)	$ (41,677)	$ (50,717)	$ (49,287)
Net loss per share allocable to common stockholders:(2)					
Basic	$ (0.41)	$ (1.24)	$ (2.30)	$ (4.30)	$ (4.61)
Diluted	$ (0.41)	$ (1.24)	$ (2.30)	$ (4.30)	$ (4.61)
Weighted average shares used in computing net loss per share allocable to common stockholders:(3)					
Basic	35,709	27,275	18,107	11,800	10,694
Diluted	35,709	27,275	18,107	11,800	10,694

Table of Contents

	As of December 31,				
	2014	2013	2012	2011	2010
	(In thousands)				
Balance Sheet Data:					
Cash and cash equivalents, investments, auction rate securities (ARS) and investment put option related to ARS	$ 83,228	$ 80,230	$ 74,000	$ 49,023	$ 72,845
Restricted cash				196	788
Working capital	107,276	52,634	69,322	46,548	66,174
Total assets	132,968	83,188	77,551	52,773	77,992
Long-term portion of equipment financing lines					152
Accumulated deficit	(497,243)	(482,597)	(448,880)	(408,510)	(360,650)
Total stockholders equity(2)	92,064	54,442	70,085	48,178	70,516

(1) Revenues from related parties consisted of revenues recognized under our research and development arrangements with related parties, including Amgen and Astellas. See Note 7, Related Parties and Related Party Transactions in the Notes to Consolidated Financial Statements for further details.

(2) On June 24, 2013, we effected a one-for-six reverse stock split of our common stock through an amendment to our amended and restated certificate of incorporation (the COI Amendment). As of the effective time of the reverse stock split, every six shares of our issued and outstanding common stock were converted into one issued and outstanding share of common stock, without any change in par value per share. The reverse stock split affected all shares of our common stock outstanding immediately prior to the effective time of the reverse stock split, as well as the number of shares of common stock available for issuance under equity incentive plans. In addition, the reverse stock split effected a reduction in the number of shares of common stock issuable upon the conversion of shares of preferred stock or upon the exercise of stock options or warrants outstanding immediately prior to the effectiveness of the reverse stock split. No fractional shares were issued as a result of the reverse stock split. Stockholders who would otherwise have been entitled to receive a fractional share received cash payments in lieu thereof. In addition, the COI Amendment reduced the number of authorized shares of common stock to 81.5 million.

All references to shares of common stock and per share data for all periods presented in the accompanying selected financial data have been adjusted to reflect the reverse stock split on a retroactive basis.

(3) In 2010, we sold 889,970 shares of common stock to Kingsbridge Capital Limited pursuant to the 2007 committed equity financing facility for net proceeds of $14.0 million. In April 2011, we sold 883,333 shares of common stock, 8,070 shares of Series A convertible preferred stock and warrants to purchase 1,114,168 shares of common stock to Deerfield Private Design Fund II, L.P., Deerfield Private Design International II, L.P., Deerfield Special Situations Fund, L.P., and Deerfield Special Situations Fund International Limited for net proceeds of approximately $19.9 million. In the fourth quarter of 2011, we sold 429,868 shares of common stock through McNicoll, Lewis & Vlak LLC (MLV) for net proceeds of $2.4 million. In June 2012, we issued to various investors (i) 9,320,176 shares of common stock for a purchase price of $4.56 per share, (ii) 23,026 shares of Series B convertible preferred stock for a purchase price of $760.00 per share, and (iii) warrants to purchase 7,894,704 shares of common stock at an exercise price of $5.28 per share, for aggregate gross proceeds of approximately $60.0 million. In 2012, we sold 432,724 shares of common stock through MLV for net proceeds of $2.8 million. In June 2013, we sold 1,404,100 shares of common stock to Amgen at a price per share of $7.12 and an aggregate purchase price of $10.0 million, pursuant to the Amgen Agreement Amendment. In 2013, we sold 1,170,583 shares of common stock through MLV for net proceeds of $7.5 million. In January, 2014 we sold 364,103 shares of common stock through MLV for net proceeds of $2.4 million. In February 2014, we sold 5,031,250 shares of common stock through an underwritten public offering at a price per share of $8.00 and net proceeds of $37.5 million. In December 2014, we sold 2,040,816 shares of common stock to Astellas at a price per share of $4.90 and an

Table of Contents

aggregate purchase price of $10.0 million. See Note 12, Stockholders Equity in the Notes to Consolidated Financial Statements for further details.

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

This discussion and analysis should be read in conjunction with our financial statements and accompanying notes included elsewhere in this report. Operating results are not necessarily indicative of results that may occur in future periods.

Overview

We were incorporated in Delaware in August 1997 as Cytokinetics, Incorporated. We are a clinical-stage biopharmaceutical company focused on the discovery and development of novel small molecule therapeutics that modulate muscle function for the potential treatment of serious diseases and medical conditions. Our research and development activities relating to the biology of muscle function have evolved from our knowledge and expertise regarding the cytoskeleton, a complex biological infrastructure that plays a fundamental role within every human cell. Our most advanced research and development programs relate to the biology of muscle function and are directed to small molecule modulators of the contractility of skeletal or cardiac muscle. Our earlier-stage research is directed to other compounds with the potential to modulate muscle contractility and other muscle functions, such as growth, energetics and metabolism.

Our drug candidates currently in clinical development are our skeletal muscle activators tirasemtiv and CK-2127107, and our cardiac muscle activator omecamtiv mecarbil. Cytokinetics retains exclusive rights to tirasemtiv, which is being evaluated for the potential treatment of amyotrophic lateral sclerosis (ALS). CK-2127107 is being evaluated for the potential treatment of spinal muscle atrophy (SMA) and for potential use in other indications associated with muscle weakness under a strategic alliance with Astellas Pharma Inc. (Astellas) established in June 2013 and expanded in December 2014. Omecamtiv mecarbil is being evaluated for the potential treatment of heart failure under a strategic alliance with Amgen established in 2006.

Muscle Contractility Programs

Skeletal Muscle Contractility Program

Tirasemtiv is the lead drug candidate from this program. We retain exclusive rights to tirasemtiv. We have conducted a Phase II clinical development program for tirasemtiv, and are planning to initiate a Phase III clinical development program for this drug candidate in patients with ALS. We are also developing another drug candidate from this program, CK-2127107, which has been evaluated in Phase I clinical trials in collaboration with Astellas for potential indications associated with muscle weakness. We are planning to conduct a Phase II clinical trial for CK-2127107 in patients with SMA. Tirasemtiv and CK-2127107 are structurally distinct and selective small molecules that activate the fast skeletal muscle troponin complex in the sarcomere by increasing its sensitivity to calcium, leading to an increase in skeletal muscle contractility. Each of tirasemtiv and CK-2127107 has demonstrated pharmacological activity in preclinical models and evidence of potentially clinically relevant pharmacodynamic effects in humans. We are evaluating other potential indications for which tirasemtiv and CK-2127107 may be useful.

Tirasemtiv. Tirasemtiv, a fast skeletal troponin activator, is the lead drug candidate from our skeletal muscle contractility program. We have conducted three evidence of effect Phase IIa clinical trials of tirasemtiv. These evidence of effect clinical trials were randomized, double-blind, placebo-controlled, three-period cross-over studies of single doses of tirasemtiv administered to patients with impaired muscle function. These studies were intended to translate the mechanism of action of tirasemtiv into potentially clinically relevant pharmacodynamic effects. The first of these trials was conducted in patients with ALS, a chronic and progressive disease in which the motor neurons die, thus denervating skeletal muscles and causing them to atrophy. This leads to weakness, fatigue, and eventually complete paralysis and death, primarily from respiratory

Table of Contents

complications. The second of these trials was conducted in patients with myasthenia gravis, a chronic, autoimmune, neuromuscular disease which is the most common primary disorder of neuromuscular transmission. The third of these trials was conducted in patients with symptoms of claudication, which is pain or cramping in the leg muscles due to inadequate blood flow during exercise, associated with peripheral artery disease. Evidence of potentially clinically relevant pharmacodynamic effects was observed in each of these trials.

In 2014, we completed BENEFIT-ALS (Blinded Evaluation of Neuromuscular Effects and Functional Improvement with Tirasemtiv in ALS), a Phase IIb clinical trial of tirasemtiv in patients with ALS. We believe the results from BENEFIT-ALS support advancement of tirasemtiv into Phase III clinical development. We are planning to initiate a Phase III clinical development program for this drug candidate in patients with ALS in the second quarter of 2015.

Tirasemtiv Clinical Development

BENEFIT-ALS (Blinded Evaluation of Neuromuscular Effects and Functional Improvement with Tirasemtiv in ALS). In October 2012, we initiated BENEFIT-ALS, a Phase IIb, multi-national, double-blind, randomized, placebo-controlled, clinical trial designed to evaluate the safety, tolerability and efficacy of tirasemtiv in patients with ALS. BENEFIT-ALS enrolled patients in 73 centers in 8 countries. Patients enrolled in BENEFIT-ALS began treatment with open-label tirasemtiv at 125 mg twice daily. Patients who tolerated this open-label treatment for one week were randomized to receive 12 weeks of double-blind treatment with twice-daily oral ascending doses of tirasemtiv or placebo, beginning at 125 mg twice daily and increasing weekly up to 250 mg twice daily (or a dummy dose titration with placebo). Clinical assessments occurred every four weeks during double-blind treatment; patients also returned for follow-up evaluations at one and four weeks after their final dose of double-blind study medication. The primary efficacy analysis of BENEFIT-ALS compared the mean change from baseline in the ALS Functional Rating Scale in its revised form (ALSFRS-R), a clinically validated instrument designed to measure disease progression and changes in functional status, to the average of the scores obtained after 8 and 12 weeks of double-blind treatment on tirasemtiv versus placebo.

In April 2014, BENEFIT-ALS results were presented at the 66th Annual Meeting of the American Academy of Neurology. 711 patients were enrolled into the open-label phase of the trial; subsequently, 605 patients were randomized 1:1 to double-blind treatment with either tirasemtiv or placebo. BENEFIT-ALS did not achieve its primary efficacy endpoint, the mean change from baseline in the ALSFRS-R (-2.98 points in the tirasemtiv group versus -2.40 points in the placebo group; $p = 0.11$). Treatment with tirasemtiv resulted in a statistically significant and potentially clinically meaningful reduction in the decline of slow vital capacity (SVC), a measure of the strength of the skeletal muscles responsible for breathing. SVC has been shown to be an important predictor of disease progression and survival in prior trials of patients with ALS. At week 12, the decline in SVC from baseline was -3.12 for patients receiving tirasemtiv versus -8.66 for those receiving placebo ($p < 0.0001$). From week 0 to week 12, the slope of decline in SVC measured as percentage points per day was -0.0394 for patients receiving tirasemtiv versus -0.0905 for those receiving placebo ($p = 0.0006$).

The analyses of other pre-specified secondary efficacy endpoints in BENEFIT-ALS produced mixed results. The muscle strength mega-score, a measure of strength combining the data from several muscle groups in each patient, declined more slowly on tirasemtiv versus placebo. The difference in the rate of decline for sniff nasal inspiratory pressure (SNIP) was not statistically significant); however, SNIP decreased more on tirasemtiv compared with placebo in a statistically significant manner at 4 and 12 weeks. No differences in maximum voluntary ventilation and hand grip fatigue were observed on tirasemtiv versus placebo.

Serious adverse events (SAEs) during double-blind treatment were more frequent on tirasemtiv than on placebo (9.0% vs. 5.4%). The most common SAE was respiratory failure which occurred in 1 patient on tirasemtiv and 3 patients on placebo. Confusional state and delirium occurred in 2 patients on tirasemtiv and no patients on placebo. More patients on tirasemtiv withdrew from the trial following randomization than on placebo (99 vs. 33 patients, respectively). Adverse events more common on tirasemtiv than on placebo (>10% difference) were dizziness, fatigue, and nausea.

Table of Contents

Throughout the remainder of 2014, we presented further results from BENEFIT-ALS. These results indicated that:

- Differences in the decline in SVC on tirasemtiv versus placebo observed after 12 weeks of double-blind treatment were maintained for up to 4 weeks after discontinuation of treatment;
- The reduced decline in SVC on tirasemtiv versus placebo was observed consistently across all subgroups of patients in BENEFIT-ALS that were examined;
- The effects of tirasemtiv on SVC were observed at all doses studied and the concentration-response relationship was flat; and
- Riluzole did not increase plasma concentrations nor impact the tolerability of tirasemtiv.

Planned Phase III Clinical Development: In October 2014, we announced that we had completed our review of results from BENEFIT-ALS and concluded that effects observed on SVC in patients treated with tirasemtiv were robust and potentially clinically meaningful. We have engaged with regulatory authorities in the U.S. and Europe regarding results from BENEFIT-ALS and plan to advance tirasemtiv into Phase III clinical development. While regulatory interactions are ongoing, we believe that current feedback from these regulatory authorities informs advancement of tirasemtiv to a Phase III clinical development program that is intended to potentially confirm and extend results from BENEFIT-ALS. Key clinical endpoints in the Phase III program will include measures of respiratory function after longer durations of treatment in patients with ALS, including effects on SVC. We have initiated non-clinical and clinical development planning activities for the Phase III program, and anticipate initiating the program in the second quarter of 2015.

Tirasemtiv Strategic and Commercial Planning. During 2014, we made preparations for the potential commercialization of tirasemtiv. These activities included interactions with manufacturers, and corporate development and commercial planning activities to support various scenarios. We expect to continue to engage extensively with ALS experts, both neuromuscular and pulmonary, and with payors, regulatory authorities and patient advocacy groups as we develop plans for the commercialization of tirasemtiv as a potential treatment for patients living with ALS. These commercialization plans will include market assessment and corporate development activities to support the launch of tirasemtiv in the U.S. and Europe, if appropriate.

The clinical trials program for tirasemtiv may proceed for several years, and we will not be in a position to generate any revenues or material net cash flows from sales of this drug candidate until the program is successfully completed, regulatory approval is achieved, and the drug is commercialized. Tirasemtiv is at too early a stage of development for us to predict if or when this may occur. Our expenditures will increase if and as we move tirasemtiv into later stage development.

CK-2127107 and Other Skeletal Muscle Activators

Astellas Strategic Alliance. CK-2127107 is being developed jointly by Cytokinetics and Astellas. In December 2014, we entered into an Amended and Restated License and Collaboration Agreement with Astellas (the Amended Astellas Agreement). This agreement superseded the License and Collaboration Agreement between Cytokinetics and Astellas of June 2013 (the Original Astellas Agreement). The Amended Astellas Agreement expanded the objective of the collaboration of advancing novel therapies for diseases and medical conditions associated with muscle weakness to include SMA and potentially other neuromuscular indications, in addition to the non-neuromuscular indications provided for in the Original Astellas Agreement.

Under the Amended Astellas Agreement, we expanded the exclusive license previously granted Astellas under the Original Astellas Agreement to co-develop and commercialize CK-2127107 for potential application in non-neuromuscular indications worldwide to include certain neuromuscular indications as well. Concurrent with the expanded collaboration, the companies agreed to advance CK-2127107 into Phase II clinical development. Cytokinetics will conduct the initial Phase II clinical trial in patients with SMA. We anticipate initiating this trial

Table of Contents

in the second half of 2015. The development program may include other neuromuscular indications as the companies may agree. Cytokinetics and Astellas will jointly develop and may jointly commercialize CK-2127107 and other fast skeletal troponin activators in neuromuscular indications. Astellas will be responsible for the costs associated with the development of all collaboration products, including CK-2127107, subject to Cytokinetics option to co-fund certain development costs as described below.

Under the Amended Astellas Agreement, the parties extended through 2016 their joint research program to identify next-generation skeletal muscle activators to be nominated as potential drug candidates. This research will be conducted at Astellas expense. Under the Amended Astellas Agreement, Astellas has exclusive rights to co-develop and commercialize CK-2127107 and other fast skeletal troponin activators in SMA and potentially other indications and other novel mechanism skeletal muscle activators in all indications, subject to certain Cytokinetics development and commercialization rights. Cytokinetics may co-promote and conduct certain commercial activities in the U.S., Canada and Europe under agreed scenarios.

Cytokinetics retains an option to conduct early-stage development for certain agreed indications at its initial expense, subject to reimbursement if development continues under the collaboration. Under the Amended Astellas Agreement, Cytokinetics also retains an option to co-promote collaboration products containing fast skeletal muscle activators for neuromuscular indications in the U.S., Canada and Europe, in addition to its option to co-promote other collaboration products in the U.S. and Canada as provided for in the Original Astellas Agreement. Astellas will reimburse Cytokinetics for certain expenses associated with its co-promotion activities. The Amended Astellas Agreement also provides for Cytokinetics to lead certain activities relating to the commercialization of collaboration products for neuromuscular indications in the U.S., Canada and Europe under particular scenarios.

Cytokinetics received an upfront payment of $30.0 million in connection with the execution of the Amended Astellas Agreement. Also, in conjunction with the execution of the Amended Astellas Agreement, we also entered into a common stock purchase agreement which provided for the sale of 2,040,816 shares of our common stock to Astellas at a price per share of $4.90 and an aggregate purchase price of $10.0 million, which was received in December 2014. Pursuant to this agreement, Astellas agreed to certain trading and other restrictions with respect to our common stock. Concurrently, Cytokinetics earned a $15.0 million milestone payment relating to Astellas decision to advance CK-2127107 into Phase II clinical development. Cytokinetics is also eligible to potentially receive over $20.0 million in reimbursement of sponsored research and development activities during the next two years of the collaboration. Based on the achievement of pre-specified criteria, Cytokinetics may receive over $600.0 million in milestone payments relating to the development and commercial launch of collaboration products, including up to $112.0 million (of which Cytokinetics has now received $17.0 million) relating to early development of CK-2127107 and for later-stage development and commercial launch milestones for CK-2127107 in non-neuromuscular indications, and over $100.0 million in development and commercial launch milestones for CK-2127107 in each of SMA and other neuromuscular indications. Cytokinetics may also receive up to $200.0 million in payments for achievement of pre-specified sales milestones related to net sales of all collaboration products under the Amended Astellas Agreement. If Astellas commercializes any collaboration products, Cytokinetics will also receive royalties on sales of such collaboration products, including royalties ranging from the high single digits to the high teens on sales of products containing CK-2127107. Cytokinetics also holds an option to co-fund certain development costs for CK-2127107 and other compounds in exchange for increased milestone payments and royalties; such royalties may increase under certain scenarios to exceed twenty percent. In addition to the foregoing development, commercial and sales milestones, Cytokinetics may also receive payments for the achievement of pre-specified milestones relating to the joint research program.

Cytokinetics retains the exclusive right to develop and commercialize tirasemtiv for the potential treatment of ALS and certain other neuromuscular disorders independently from the Amended Astellas Agreement.

Table of Contents

CK-2127107 Clinical Development

Phase I Clinical Trials Program: In October 2014, we announced the completion of five Phase I clinical trials evaluating CK-2127107 in healthy volunteers, and certain other Phase II readiness activities, all in connection with the agreed development plan under our collaboration with Astellas. These Phase I clinical trials demonstrated that CK-2127107 appeared well-tolerated in healthy volunteers and that exposures generally increased across dose ranges studied. CK-2127107 increased the response of muscle to neuromuscular input in a dose and plasma concentration related fashion in healthy volunteers consistent with preclinical observations. In addition, an oral tablet formulation of CK-2127107 appears appropriate for use in Phase II clinical trials.

Planned Phase II Clinical Development: Cytokinetics will conduct the initial Phase II clinical trial of CK-2127107 in patients with SMA. We anticipate initiating this trial in the second half of 2015.

The clinical trials programs for CK-2127107 may proceed for several years, and we will not be in a position to generate any revenues or material net cash flows from sales of this drug candidate until the program is successfully completed, regulatory approval is achieved, and the drug is commercialized. CK-2127107 is at too early a stage of development for us to predict if or when this may occur. Our expenditures will increase if Astellas terminates development of CK-2127107 or related compounds and we elect to develop them independently, or if we conduct early-stage development for certain agreed indications at our initial expense, subject to reimbursement if development continues under the collaboration.

Ongoing Research in Skeletal Muscle Activators. Our research on the direct activation of skeletal muscle continues in two areas. We are conducting translational research in preclinical models of disease and muscle function with fast skeletal muscle troponin activators to explore the potential clinical applications of this novel mechanism in diseases or conditions associated with skeletal muscle dysfunction. We also intend to conduct preclinical research on other chemically and pharmacologically distinct mechanisms to activate the skeletal sarcomere. We are conducting a joint research program with Astellas directed to the discovery of next-generation skeletal muscle activators. Under the Amended Astellas Agreement, the joint research program will continue through 2016 and Astellas will reimburse us for certain research activities we perform.

Research and Development Expenses. We recorded research and development expenses for activities relating to our skeletal muscle contractility program of approximately $32.9 million, $40.8 million and $24.9 million in the years ended December 31, 2014, 2013 and 2012, respectively. We recognized research and development revenue from Astellas of $32.4 million in 2014, consisting of milestone payments, and reimbursements of full-time employee equivalents (FTEs) and other expenses. We anticipate that our expenditures relating to the research and development of compounds in our skeletal muscle contractility program will increase significantly if and as we advance tirasemtiv, CK-2127107 or other compounds from this program into and through development.

Cardiac Muscle Contractility Program

Our lead drug candidate from this program is omecamtiv mecarbil, a novel cardiac muscle myosin activator. We expect omecamtiv mecarbil to be developed as a potential treatment across the continuum of care in heart failure both as an intravenous formulation for use in the hospital setting and as an oral formulation for use in the outpatient setting.

Amgen Strategic Alliance. In December 2006, we entered into a collaboration and option agreement with Amgen to discover, develop and commercialize novel small molecule therapeutics, including omecamtiv mecarbil, that activate cardiac muscle contractility for potential applications in the treatment of heart failure (the Amgen Agreement). The agreement granted Amgen an option to obtain an exclusive license worldwide, except Japan, to develop and commercialize omecamtiv mecarbil and other drug candidates arising from the collaboration. In May 2009, Amgen exercised its option. As a result, Amgen became responsible for the

Table of Contents

development and commercialization of omecamtiv mecarbil and related compounds at its expense worldwide (excluding Japan), subject to our development and commercialization participation rights. Amgen will reimburse us for certain research and development activities we perform under the collaboration.

In June 2013, Cytokinetics and Amgen executed an amendment to the Amgen Agreement to include Japan, resulting in a worldwide collaboration (the Amgen Agreement Amendment). Under the terms of the Amgen Agreement Amendment, we received a non-refundable upfront license fee of $15.0 million in June 2013. Under the Amgen Agreement Amendment, we conducted a Phase I pharmacokinetic study intended to support inclusion of Japan in a potential Phase III clinical development program and potential global registration dossier for omecamtiv mecarbil. Amgen will reimburse us for the costs of this study. In addition, we are eligible to receive additional pre-commercialization milestone payments relating to the development of omecamtiv mecarbil in Japan of up to $50.0 million, and royalties on sales of omecamtiv mecarbil in Japan. In conjunction with the Amgen Agreement Amendment, we also entered into a common stock purchase agreement which provided for the sale of 1,404,100 shares of our common stock to Amgen at a price per share of $7.12 and an aggregate purchase price of $10.0 million which was received in June 2013. Pursuant to this agreement, Amgen agreed to certain trading and other restrictions with respect to our common stock. During 2014, we recorded $4.5 million in reimbursement of sponsored research and development activities relating to the Amgen Agreement.

Under the Amgen Agreement as amended, we are eligible for potential pre-commercialization and commercialization milestone payments of up to $650.0 million in the aggregate on omecamtiv mecarbil and other potential products arising from research under the collaboration, and royalties that escalate based on increasing levels of annual net sales of products commercialized under the agreement. The Amgen Agreement also provides for us to receive increased royalties by co-funding Phase III development costs of omecamtiv mecarbil and other drug candidates under the collaboration. If we elect to co-fund such costs, we would be entitled to co-promote the co-funded drug in North America and participate in agreed commercialization activities in institutional care settings, at Amgen s expense.

In July 2013, Amgen announced that it had granted an option to commercialize omecamtiv mecarbil in Europe to Servier, with Cytokinetics consent. The option and, if the option is exercised, the resulting commercialization sublicense to Servier, is subject to the terms and conditions of the Amgen Agreement. Amgen remains responsible for the performance of its obligations under the Amgen Agreement relating to Europe, including the payment of milestones and royalties relating to the development and commercialization of omecamtiv mecarbil in Europe.

Omecamtiv Mecarbil Clinical Development

COSMIC-HF. In March 2013, we announced the initiation of dosing of patients in COSMIC-HF (Chronic Oral Study of Myosin Activation to Increase Contractility in Heart Failure). COSMIC-HF is a Phase II, double-blind, randomized, placebo-controlled, multicenter, clinical trial designed to assess the pharmacokinetics and tolerability of *omecamtiv mecarbil* dosed orally in patients with heart failure and left ventricular systolic dysfunction as well as its effects on echocardiographic measures of cardiac function. COSMIC-HF is being conducted by Amgen in collaboration with Cytokinetics. Cytokinetics and Amgen reviewed results from the dose escalation phase of COSMIC-HF and selected an oral formulation of omecamtiv mecarbil for evaluation in the expansion phase of the trial.

The expansion phase of COSMIC-HF has enrolled approximately 450 patients from approximately 95 clinical sites internationally. Patients will be randomized 1:1:1 to receive placebo, 25 mg, or 50 mg twice daily of omecamtiv mecarbil. Escalation to the 50 mg dose will depend on the plasma concentration of omecamtiv mecarbil following 2 weeks of oral dosing at 25 mg twice daily. The primary objective of the expansion phase of this trial is to characterize the safety, tolerability, and pharmacokinetics of omecamtiv mecarbil dosed orally during 20 weeks of treatment. The secondary objectives are to assess the changes from baseline in systolic ejection time, stroke volume, left ventricular end-systolic diameter, left ventricular

Table of Contents

end-diastolic diameter, heart rate and N-terminal pro-brain natriuretic peptide (a biomarker associated with the severity of heart failure) during 20 weeks of treatment. In the fourth quarter of 2014, the Data Monitoring Committee reviewed data from COSMIC-HF and recommended that the trial continue without any changes to the protocol. The expansion phase of COSMIC-HF has enrolled over 400 patients; over 200 of these patients have completed dosing. We anticipate that patient enrollment in COSMIC-HF will conclude in the first quarter of 2015. We anticipate that results from COSMIC-HF will be available in the second half of 2015.

ATOMIC-AHF. In September 2013, results from ATOMIC-AHF (Acute Treatment with Omecamtiv Mecarbil to Increase Contractility in Acute Heart Failure) were presented at the European Society of Cardiology Congress and the Heart Failure Society of America Annual Scientific Meeting. ATOMIC-AHF was an international, randomized, double-blind, placebo-controlled, Phase IIb clinical trial of intravenous omecamtiv mecarbil in patients with left ventricular systolic dysfunction hospitalized with acutely decompensated heart failure. ATOMIC-AHF was conducted by Amgen in collaboration with Cytokinetics. This clinical trial enrolled over 600 patients in three sequential, ascending-dose cohorts. In each cohort, patients were randomized to receive omecamtiv mecarbil or placebo. The primary efficacy objective of this trial was to evaluate the effect of 48 hours of intravenous omecamtiv mecarbil compared to placebo on dyspnea (shortness of breath). The secondary objectives were to assess the safety and tolerability of three dose levels of intravenous omecamtiv mecarbil compared with placebo and to evaluate the effects of 48 hours of treatment with intravenous omecamtiv mecarbil on additional measures of dyspnea, patients global assessments, change in N-terminal pro brain-type natriuretic peptide (a biomarker associated with the severity of heart failure) and short-term clinical outcomes in these patients. In addition, the trial evaluated the relationship between plasma concentrations of omecamtiv mecarbil and echocardiographic parameters in patients with acute heart failure.

The omecamtiv mecarbil treatment groups were not statistically different in their 7-point Likert scale dyspnea symptom response rates compared to the pooled placebo group (p=0.33); therefore, the primary endpoint was not met. Omecamtiv mecarbil demonstrated favorable dose- and concentration-related trends (nominal p=0.025 and nominal p=0.007, respectively) on dyspnea response. Improvement in dyspnea was observed in the highest omecamtiv mecarbil dose group when compared against its paired placebo group in the third cohort (dyspnea symptom response in 51 percent of subjects on omecamtiv mecarbil versus 37 percent on placebo, nominal p=0.03). The incidence of worsening heart failure within seven days of initiating treatment was 17 percent in the pooled placebo group and was 13 percent, 8 percent and 9 percent on omecamtiv mecarbil in the first, second and third cohorts, respectively. Systolic ejection time, the echocardiographic signature of omecamtiv mecarbil, increased in a concentration-dependent manner similar to that previously reported in healthy volunteers and stable heart failure patients.

Rates of adverse events (AEs), serious AEs, adjudicated deaths and hospitalizations were similar between omecamtiv mecarbil and placebo groups. There were seven post-randomization myocardial infarctions in the treatment groups receiving omecamtiv mecarbil compared with three in the placebo groups (2.3 percent vs. 1.0 percent, respectively). However, there was no relationship between the maximum increase from the baseline troponin (a biomarker specific for cardiac muscle damage) and increasing plasma concentrations of omecamtiv mecarbil. Four of the myocardial infarctions occurred more than seven days following termination of the 48-hour drug infusion. The estimated plasma concentrations near the time of these events were zero. Three of these events occurred in patients who received omecamtiv mecarbil and one occurred in a patient who received placebo. One myocardial infarction occurred subsequent to a percutaneous coronary intervention in a patient who received omecamtiv mecarbil. One myocardial infarction occurred in a patient with sepsis who received placebo. Omecamtiv mecarbil was not associated with an increased incidence of tachyarrhythmias nor were heart rate or blood pressure adversely affected.

Pharmacokinetics Bridging Study. During the fourth quarter of 2014, we announced that CY 1211, a Phase I study comparing the tolerability and pharmacokinetics of omecamtiv mecarbil between Japanese and Caucasian healthy volunteers, had been completed and indicated no clinically meaningful differences between the two groups studied. Data from CY 1211 are expected to inform plans for the development of omecamtiv

Table of Contents

mecarbil in Japan and the inclusion of Japan in potential global Phase III program activities. This trial was conducted by Cytokinetics in collaboration with Amgen. Amgen reimbursed us for the costs of the trial.

Prior Clinical Experience with Omecamtiv Mecarbil. Seven Phase I clinical trials of omecamtiv mecarbil have been conducted in healthy subjects: five conducted by Cytokinetics and two conducted by Amgen in collaboration with Cytokinetics. Cytokinetics has also conducted two Phase IIa clinical trials of omecamtiv mecarbil. These clinical trials were designed to evaluate the safety, tolerability, pharmacodynamic and pharmacokinetic profiles of both intravenous and oral formulations in a diversity of patients, including patients with stable heart failure and patients with ischemic cardiomyopathy. In these trials, omecamtiv mecarbil exhibited generally linear, dose-proportional pharmacokinetics across the dose ranges studied. The adverse effects observed at intolerable doses in humans appeared similar to the adverse findings which occurred in preclinical safety studies at similar plasma concentrations. These effects are believed to be related to the mechanism of action of this drug candidate which, at intolerable doses, resulted in an excessive prolongation of the systolic ejection time (i.e., the time in which the heart is contracting). However, these effects resolved promptly with discontinuation of the infusions of omecamtiv mecarbil.

The clinical trials program for omecamtiv mecarbil may proceed for several years, and we will not be in a position to generate any revenues or material net cash flows from sales of this drug candidate until the program is successfully completed, regulatory approval is achieved, and the drug is commercialized. Omecamtiv mecarbil is at too early a stage of development for us to predict if or when this may occur.

Ongoing Research in Cardiac Muscle Contractility. In 2013, we agreed with Amgen to additional research activities intended to be conducted through 2014 under the research plan directed to next-generation compounds in our cardiac muscle contractility program. We expect to continue our joint research program with Amgen through 2015. Under the Amgen Agreement, Amgen will reimburse us for certain research activities we perform.

Research and Development Expenses. We funded all research and development costs associated with this program prior to Amgen s option exercise in May 2009. We recorded research and development expenses for activities relating to our cardiac muscle contractility program of approximately $7.4 million, $3.4 million and $4.5 million in the years ended December 31, 2014, 2013 and 2012, respectively. We recognized research and development revenue from Amgen of $4.5 million in 2014, $2.0 million in 2013 and $4.2 million in 2012, consisting of reimbursements of FTEs and other expenses. We anticipate that our expenditures relating to the research and development of compounds in our cardiac muscle contractility program will increase if we participate in the future advancement of omecamtiv mecarbil through clinical development. Our expenditures will also increase if Amgen terminates development of omecamtiv mecarbil or related compounds and we elect to develop them independently, or if we elect to co-fund later-stage development of omecamtiv mecarbil or other compounds in our cardiac muscle contractility program under our collaboration and option agreement with Amgen.

Beyond Muscle Contractility

We have developed preclinical expertise in the mechanics of skeletal, cardiac and smooth muscle that extends from proteins to tissues to intact animal models. Our translational research in muscle contractility has enabled us to better understand the potential impact of small molecule compounds that increase skeletal or cardiac muscle contractility and to apply those findings to the further evaluation of our drug candidates in clinical populations. In addition to contractility, the other major functions of muscle include metabolism, growth and energetics, with each of these functions playing a role in certain diseases that could benefit from novel mechanism treatments. Accordingly, our knowledge of muscle contractility may serve as an entry point to the discovery of novel treatments for disorders involving muscle functions other than muscle contractility. We are leveraging our current understandings of muscle biology to investigate new ways of modulating these other aspects of muscle function for other potential therapeutic applications. For example, we are conducting research with compounds that affect muscle growth and that may have applications for serious diseases and medical

Table of Contents

conditions such as cachexia. Cachexia is a condition that can be associated with cancer, heart failure, chronic obstructive pulmonary disease or other conditions. This syndrome is characterized by the loss of muscle mass and may lead to weakness and disability. We are performing research on compounds that may increase muscle mass and which may impact patient functionality or potentially alter the course of diseases associated with muscle wasting.

Development Risks

The successful development of any of our drug candidates is highly uncertain. We cannot estimate with certainty or know the exact nature, timing and costs of the activities necessary to complete the development of any of our drug candidates or the date of completion of these development activities due to numerous risks and uncertainties, including, but not limited to:

- the results of clinical trials of our drug candidates conducted by us or our partners may not support the further clinical development of those drug candidates;
- further clinical development of tirasemtiv for the potential treatment of ALS will require significant additional funding and we may be unable to obtain such additional funding on acceptable terms, if at all;
- the FDA and/or other regulatory authorities may not accept effects on respiratory function, including SVC, as an appropriate clinical trial endpoint to support the registration of tirasemtiv for the treatment of ALS;
- decisions made by Amgen with respect to the development of omecamtiv mecarbil and by Astellas with respect to the development of CK-2127107;
- the uncertainty of the timing of the initiation and completion of patient enrollment and treatment in our or our partners clinical trials;
- the possibility of delays in the collection of clinical trial data and the uncertainty of the timing of the analyses of our clinical trial data after these trials have been initiated and completed;
- our potential inability to obtain additional funding and resources for our development activities on acceptable terms, if at all, including, but not limited to, our potential inability to obtain or retain partners to assist in the design, management, conduct and funding of clinical trials;
- failure by our clinical trial sites, clinical research organizations, clinical manufacturing organizations and other third parties supporting our or our partners clinical trials to fulfill their obligations or otherwise perform as expected;
- delays or additional costs in manufacturing of our drug candidates for clinical trial use, including developing appropriate formulations of our drug candidates;
- the uncertainty of clinical trial results, including variability in patient response;

the uncertainty of obtaining FDA or other foreign regulatory agency approval required for the clinical investigation of our drug candidates;

the uncertainty related to the development of commercial scale manufacturing processes and qualification of a commercial scale manufacturing facility;

the possibility that results from non-clinical studies may adversely impact the timing or further development of our drug candidates; and

possible delays in the characterization, formulation and manufacture of drug candidates and other compounds.

If we fail to complete the development of any of our drug candidates in a timely manner, it could have a material adverse effect on our operations, financial position and liquidity. In addition, any failure by us or our

Table of Contents

partners to obtain, or any delay in obtaining, regulatory approvals for our drug candidates could have a material adverse effect on our results of operations. A further discussion of the risks and uncertainties associated with completing our programs as planned, or at all, and certain consequences of failing to do so are discussed further in the risk factors entitled We will need substantial additional capital in the future to sufficiently fund our operations, We have never generated, and may never generate, revenues from commercial sales of our drugs and we may not have drugs to market for at least several years, if ever, Clinical trials may fail to demonstrate the desired safety and efficacy of our drug candidates, which could prevent or significantly delay completion of clinical development and regulatory approval and Clinical trials are expensive, time-consuming and subject to delay, and other risk factors.

Revenues

Our current revenue sources are limited, and we do not expect to generate any revenue from product sales for several years, if at all. We have recognized revenues from our strategic alliances with Amgen, Astellas, Global Blood Therapeutics, Inc., formerly known as Global Blood Targeting, Inc. (Global Blood) and MyoKardia, Inc. (MyoKardia) and grant revenues from NINDS.

In June 2013, we and Amgen executed an amendment (the Amgen Agreement Amendment) to the Amgen Agreement to include Japan, resulting in a worldwide collaboration. (See Note 7, Related Parties and Related Party Transactions in the Notes to Consolidated Financial Statements.) Under the terms of the Amgen Agreement Amendment, we received a non-refundable upfront license fee of $15.0 million in June 2013. In conjunction with the Amgen Agreement Amendment, we also entered into a common stock purchase agreement which provided for the sale of 1,404,100 shares of our common stock to Amgen at a price per share of $7.12 and an aggregate purchase price of $10.0 million, which was received in June 2013. Pursuant to this agreement, Amgen agreed to certain trading and other restrictions with respect to our common stock. Under the Amgen Agreement Amendment, we conducted a Phase I pharmacokinetic study intended to support inclusion of Japan in a potential Phase III clinical development program and potential global registration dossier for omecamtiv mecarbil. Amgen reimbursed us for the costs of this study. In addition, we are eligible to receive additional pre-commercialization milestone payments relating to the development of omecamtiv mecarbil in Japan of up to $50.0 million, and royalties on sales of omecamtiv mecarbil in Japan. In the fourth quarter of 2013, we determined that all conditions necessary for revenue recognition of the non-refundable upfront license fee under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 605-10 had been met and accordingly, in the fourth quarter of 2013, we recognized a total of $17.2 million in license revenue attributable to the Amgen Agreement Amendment.

We have received reimbursements from Amgen for certain research and development activities, which we recorded as revenue as the related expenses were incurred. We may be eligible to receive further reimbursements from Amgen for certain research and development activities, which we will record as revenue if and when the related expenses are incurred. We record amounts received in advance of performance as deferred revenue. Revenues related to the reimbursement of FTEs were based on negotiated rates intended to approximate the costs for our FTEs.

In July 2013, we received an upfront payment of $16.0 million in connection with the execution of the Original Astellas Agreement, establishing a collaboration directed to the research and development of skeletal muscle activators including CK-2127107 for potential application in non-neuromuscular indications associated with muscle weakness. This agreement provided for us to potentially receive over $24.0 million in reimbursement of sponsored research and development activities during the initial two years of the collaboration and for research and early and late stage development milestone payments based on various research and clinical milestones. We determined the license and the research and development services relating to the Original Astellas Agreement are a single unit of accounting as the license was determined to not have stand-alone value. Accordingly, we are recognizing this revenue using the proportional performance model. In 2013, we recognized $3.9 million of the $16.0 million upfront license fee as license revenue and as of December 31, 2013, we deferred

Table of Contents

the remaining $12.1 million. We also recognized $6.4 million in revenue in 2013 for reimbursement of sponsored research and development activities under the Original Astellas Agreement. In 2014 we recognized $9.8 million of the $16.0 million upfront license fee as license revenue and as of December 31, 2014, we deferred the remaining $2.3 million. Also in 2014 and under the Original Astellas Agreement, we recognized $15.4 million in revenue for reimbursement of sponsored research and development activities, $2.0 million in research and development milestone fees and $15.0 million in milestone fees in connection with the decision made by Astellas to advance CK-2127107 into Phase II clinical development.

We received an upfront payment of $30.0 million in connection with the execution of the Amended Astellas Agreement. Also, in conjunction with the execution of the Amended Astellas Agreement, we entered into a common stock purchase agreement pursuant to which we sold 2,040,816 shares of our common stock to Astellas at a price per share of $4.90. The aggregate purchase price of $10.0 million was received in December 2014. We determined the fair value of the stock issued to Astellas to be $9.1 million. The excess of cash received over fair value of $0.9 million was deferred and will be recognized as revenue as services are performed over approximately 24 months. Pursuant to this agreement, Astellas agreed to certain trading and other restrictions with respect to our common stock. We determined that the license and the research and development services relating to the Amended Astellas Agreement are a single unit of accounting as the license was determined to not have stand-alone value. Accordingly, we are recognizing this revenue using the proportional performance model over the initial research term of the Amended Astellas Agreement.

Concurrently with the execution of the Amended Astellas Agreement and related common stock purchase agreement, Cytokinetics received $15.0 million as a milestone payment relating to Astellas decision to advance CK-2127107 into Phase II clinical development. Cytokinetics is also eligible to potentially receive over $20.0 million in reimbursement of sponsored research and development activities during the next two years of the collaboration. Based on the achievement of pre-specified criteria, Cytokinetics may receive over $600.0 million in milestone payments relating to the development and commercial launch of collaboration products, including up to $112.0 million (of which Cytokinetics has now received $17.0 million) relating to early development of CK-2127107 and for later-stage development and commercial launch milestones for CK-2127107 in non-neuromuscular indications, and over $100.0 million in development and commercial launch milestones for CK-2127107 in each of SMA and other neuromuscular indications. Cytokinetics may also receive up to $200.0 million in payments for achievement of pre-specified sales milestones related to net sales of all collaboration products under the Amended Astellas Agreement. If Astellas commercializes any collaboration products, Cytokinetics will also receive royalties on sales of such collaboration products, including royalties ranging from the high single digits to the high teens on sales of products containing CK-2127107. Cytokinetics also holds an option to co-fund certain development costs for CK-2127107 and other compounds in exchange for increased milestone payments and royalties; such royalties may increase under certain scenarios to exceed twenty percent. In addition to the foregoing development, commercial launch and sales milestones, Cytokinetics may also receive payments for the achievement of pre-specified milestones relating to the joint research program.

Because a substantial portion of our revenues for the foreseeable future will depend on achieving development and other pre-commercialization milestones under our strategic alliances with Amgen and Astellas, our results of operations may vary substantially from year to year.

If one or more of our drug candidates is approved for sale as a drug, we expect that our future revenues will most likely be derived from royalties on sales from drugs licensed to Amgen and Astellas under our respective strategic alliances and from those licensed to future partners, and from direct sales of our drugs. We retain a product-by-product option to co-fund certain Phase III development activities under the Amgen Agreement, thereby potentially increasing our royalties and affording us co-promotion rights in North America. If we exercise our co-promotion rights under the Amgen Agreement, we are entitled to receive reimbursement for certain sales force costs we incur in support of our commercial activities. Under the Amended Astellas Agreement, we retain an option to co-promote collaboration products containing fast skeletal muscle activators for neuromuscular indications in the U.S., Canada and Europe, in addition to our option to co-promote other

Table of Contents

collaboration products in the U.S. and Canada as provided for in the Original Astellas Agreement. Astellas will reimburse us for certain expenses associated with our co-promotion activities. The Amended Astellas Agreement also provides for us to lead certain activities relating to the commercialization of collaboration products for neuromuscular indications in the U.S., Canada and Europe under particular scenarios.

In August 2012, we entered into a collaboration agreement with MyoKardia. Under an agreed research plan, scientists from MyoKardia and our FTEs conducted research focused on small molecule therapeutics that inhibit cardiac sarcomere proteins. We provided MyoKardia access to certain research facilities, and provided FTEs and other resources at agreed reimbursement rates that approximated our costs. We were the primary obligor in the collaboration arrangement, and accordingly, we recorded expense reimbursements from MyoKardia as research and development revenue. The research plan ended as planned in August 2013.

In July 2010 and in September 2012, the NINDS awarded us grants to support research and development of tirasemtiv directed to the potential treatment for myasthenia gravis for a period of up to three years. The grants were completed in June of 2013.

Research and Development

We incur research and development expenses associated with both partnered and our own research activities. We expect to incur research and development expenses for the clinical development of tirasemtiv. We expect to incur research and development expenses for CK-2127107 in accordance with agreed upon research and development plans with Astellas. We expect to incur research and development expenses for omecamtiv mecarbil and other next-generation compounds in our cardiac muscle contractility program in accordance with agreed upon research and development plans with Amgen.

Research and development expenses related to any development and commercialization activities we elect to fund consist primarily of employee compensation, supplies and materials, costs for consultants and contract research and manufacturing, facilities costs and depreciation of equipment.

General and Administrative Expenses

General and administrative expenses consist primarily of compensation for employees in executive and administrative functions, including, but not limited to, finance, human resources, legal, business and commercial development and strategic planning. Other significant costs include facilities costs, consulting costs and professional fees for accounting and legal services, including legal services associated with obtaining and maintaining patents and regulatory compliance.

Restructuring

In October 2011, we announced a restructuring plan pursuant to which we reduced our workforce. We completed all restructuring activities and recognized all anticipated restructuring charges by December 31, 2012.

Stock Compensation

The following table summarizes stock-based compensation related to stock options, restricted stock awards, restricted stock units, and employee stock purchases for 2014, 2013 and 2012 (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Research and development	$ 1,361	$ 1,538	$ 1,801
General and administrative	1,969	2,059	1,982
Stock-based compensation included in operating expenses	$ 3,330	$ 3,597	$ 3,783

Table of Contents

As of December 31, 2014, there was $5.7 million of unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted-average period of 2.52 years and $0.3 million of unrecognized compensation cost related to unvested restricted stock units, which is expected to be recognized over a weighted-average period of 0.83 years.

Income Taxes

We account for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce the deferred tax assets to the amounts expected to be realized. We did not record an income tax provision in the years ended December 31, 2014, 2013 or 2012 because we had a net taxable loss in these periods.

Based upon the weight of available evidence, which includes our historical operating performance, reported cumulative net losses since inception and difficulty in accurately forecasting our future results, we maintained a full valuation allowance on the net deferred tax assets as of December 31, 2014, 2013 and 2012. The valuation allowance was determined pursuant to the accounting guidance for income taxes, which requires an assessment of both positive and negative evidence when determining whether it is more likely than not that deferred tax assets are recoverable. We intend to maintain a full valuation allowance on the U.S. deferred tax assets until sufficient positive evidence exists to support reversal of the valuation allowance. The valuation allowance increased by $1.0 million in 2014, $13.7 million in 2013 and $21.1 million in 2012.

We also follow the accounting guidance that defines the threshold for recognizing the benefits of tax return positions in the financial statements as more-likely-than-not to be sustained by the taxing authorities based solely on the technical merits of the position. If the recognition threshold is met, the tax benefit is measured and recognized as the largest amount of tax benefit that, in our judgment, is greater than 50% likely to be realized. Historically, we have filed income tax returns with the federal Internal Revenue Service (IRS) and the state of California. For jurisdictions in which tax filings are made, we are subject to income tax examination for all fiscal years since inception. In general, the statute of limitations for tax liabilities for these years remains open for the purpose of adjusting the amounts of the losses and credits carried forward from those years.

Interest accrued related to unrecognized tax benefits and penalties was zero for 2014, 2013 and 2012. We account for interest related to unrecognized tax benefits and penalties by classifying both as income tax expense in the financial statements in accordance with the accounting guidance for uncertainty in income taxes. We do not expect our unrecognized tax benefits to change materially over the next twelve months.

In general, under Section 382 of the Internal Revenue Code (Section 382), a corporation that undergoes an ownership change is subject to limitations on its ability to utilize its pre-change net operating losses (NOLs) and tax credits to offset future taxable income. We have performed a Section 382 analysis and do not believe that we have experienced an ownership change since 2006. A portion of our existing NOLs and tax credits are subject to limitations arising from previous ownership changes. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 and result in additional limitations.

Table of Contents

Results of Operations

Years ended December 31, 2014, 2013 and 2012

Revenues

	Years Ended December 31,			Increase (Decrease)	
	2014	2013	2012	2014	2013
			(In millions)		
Research and development revenues from related parties	$ 19.5	$ 2.0	$ 4.2	$ 17.5	$ (2.2)
Research and development, grant and other revenues	17.6	7.5	3.4	10.1	4.1
License revenues from related parties		17.2		(17.2)	17.2
License revenues	9.8	3.9		5.9	3.9
Total revenues	$ 46.9	$ 30.6	$ 7.6	$ 16.3	$ 23.0

Research and development revenues from related parties refers to research and development revenues from our strategic alliances with Astellas and Amgen. Revenues from Astellas, which became a related party in December 2014, consisted of $15.0 million in milestone revenues. All research and development revenues from Astellas, prior to it becoming a related party and including a $2.0 million milestone fee recorded in the first quarter of 2014, are classified in research and development, grant and other revenues. Revenues from Amgen were $4.5 million, $2.0 million and $4.2 million in 2014, 2013 and 2012, respectively. Revenues from Amgen in 2014 consisted of reimbursement of internal costs of certain full-time employee equivalents, and recognition of allocated consideration relating to the execution of the Amgen Agreement Amendment in June 2013. Revenues from Amgen in 2013 and 2012 consisted of reimbursement of internal costs of certain full-time employee equivalents.

Research and development, grant and other revenues in 2014 consisted primarily of $15.4 million of research and development revenues from our collaboration with Astellas, $2.0 million in milestone revenues from Astellas and $0.1 million in revenue from our collaboration with MyoKardia. Research and development, grant and other revenues in 2013 included $6.4 million of research program reimbursement revenues from our collaboration with Astellas and $1.0 million in revenue from our collaboration with MyoKardia. Research and development, grant and other revenues in 2012 of $3.4 million included grant revenue from the NINDS, revenue from Global Blood and revenue from MyoKardia.

License revenues from related parties refers to license revenues from our strategic alliance with Amgen. Revenues from Amgen of $17.2 million in 2013 included recognition of an upfront license fee of $15.0 million, along with additional license revenues of $2.2 million, resulting from the allocation of a portion of the excess of the cash received over the fair value of the common stock issued contemporaneously to Amgen. In conjunction with the Amgen Agreement Amendment, we sold 1,404,100 shares of our common stock to Amgen for $10.0 million. We determined the fair value of the stock issued to Amgen to be $7.5 million. A portion of the excess of cash received over fair value of $2.5 million was also allocated to the services performed and was deferred and was recognized as revenue as services were performed.

License revenues refers to license revenues from our collaboration with Astellas, prior to it becoming a related party in December 2014. License revenues included $9.8 and $3.9 million in 2014 and 2013, respectively, of the $16.0 million upfront license fee received from Astellas in July 2013 in connection with the execution of the Original Astellas Agreement. We are recognizing this revenue over the term of the research and development services using the proportional performance model.

Table of Contents

Research and development expenses

	Years Ended December 31,			Increase (Decrease)	
	2014	2013	2012	2014	2013
			(In millions)		
Research and development expenses	$ 44.4	$ 49.5	$ 35.6	$ (5.1)	$ 13.9

Research and development expenses were $44.4 million and $49.5 million in 2014 and 2013, respectively. The decrease of $5.1 million in research and development expenses in 2014 was primarily due to decreased spending of $8.2 million for outsourced clinical and preclinical costs mainly due to the completion of the BENEFIT-ALS clinical trial earlier in 2014, partially offset by increased spending of $2.6 million personnel-related costs due to increased headcount. The increase of $13.9 million in research and development expenses in 2013 was primarily due to increased spending for outsourced clinical costs and laboratory costs totaling $14.0 million related to the BENEFIT-ALS clinical trial, partially offset by decreased spending for outsourced preclinical expense.

From a program perspective, the $5.1 million decrease in in research and development spending in 2014 compared to 2013 was primarily due to reduced spending for our skeletal muscle contractility program, partially offset by increased spending for our cardiac muscle contractility program. The $13.9 million increase in research and development spending in 2013 compared to 2012 was primarily due to increased spending of $15.9 million for our skeletal muscle contractility program.

The following presents our research and development expenses by program:

	Years Ended December 31,			Increase (Decrease)	
	2014	2013	2012	2014	2013
			(In millions)		
Cardiac muscle contractility	$ 7.4	$ 3.4	$ 4.5	$ 4.0	$ (1.1)
Skeletal muscle contractility	32.9	40.8	24.9	(7.9)	15.9
Smooth muscle contractility		0.2	1.8	(0.2)	(1.6)
All other research programs	4.1	5.1	4.4	(1.0)	0.7
Total research and development expenses	$ 44.4	$ 49.5	$ 35.6	$ (5.1)	$ 13.9

Clinical development timelines, the likelihood of success and total completion costs vary significantly for each drug candidate and are difficult to estimate. We anticipate that we will determine on an ongoing basis which research and development programs to pursue and how much funding to direct to each program, taking into account the scientific and clinical success of each drug candidate. The lengthy process of seeking regulatory approvals and subsequent compliance with applicable regulations requires the expenditure of substantial resources. Any failure by us to obtain and maintain, or any delay in obtaining, regulatory approvals could cause our research and development expenditures to increase and, in turn, could have a material adverse effect on our results of operations.

We expect our research and development expenditures to increase in 2015 compared to 2014 and that they will be in the range of $56.0 million to $59.0 million. We expect to continue development of our drug candidate tirasemtiv for the potential treatment of ALS. As part of our strategic alliance with Astellas, we expect to continue development of our drug candidate CK-2127107 for the potential treatment of SMA and potentially other diseases and medical conditions associated with muscle weakness or wasting. As part of our strategic alliance with Amgen, we expect to continue development of our drug candidate omecamtiv mecarbil for the potential treatment of heart failure. Non-cash expenses such as stock-based compensation and depreciation of approximately $1.5 million are included in our estimate of 2015 research and development expenses.

Table of Contents

General and administrative expenses

	Years Ended December 31,			Increase (Decrease)	
	2014	2013	2012	2014	2013
			(In millions)		
General and administrative expenses	$ 17.3	$ 15.1	$ 12.4	$ 2.2	$ 2.7

General and administrative expenses increased in 2014 compared to 2013 and increased in 2013 compared to 2012. The increase of $2.2 million in 2014 was primarily due to increased spending of $0.9 million for personnel-related costs due to increased headcount, and $0.8 million for outside services mainly related to commercial development and market access assessment activities. The increase in 2013 was primarily due to increased spending of $1.7 million for personnel-related costs, $1.4 million for outside services and $0.2 million for legal expenses.

We expect that general and administrative expenses in 2015 will increase compared to 2014 and will be in the range of $18.0 million to $20.0 million. Non-cash expenses such as stock-based compensation and depreciation of approximately $2.1 million are included in our estimate of 2015 general and administrative expenses.

Interest and Other, net

Components of Interest and Other, net are as follows:

	Years Ended December 31,			Increase (Decrease)	
	2014	2013	2012	2014	2013
			(In millions)		
Interest income and other income	$ 0.1	$ 0.1	$ 0.1	$	$
Interest expense and other expense		0.1		(0.1)	0.1
Interest and Other, net	$ 0.1	$ 0.2	$ 0.1	$ (0.1)	$ 0.1

Interest income and other income consisted primarily of interest income generated from our cash, cash equivalents and investments. Interest expense and other expense in 2013 consisted solely of net gains realized upon disposal of equipment.

Liquidity and Capital Resources

From August 5, 1997, our date of inception, through December 31, 2014, we funded our operations through the sale of equity securities, non-equity payments from collaborators, equipment financings, government grants and interest income.

We have received net proceeds from the sale of equity securities of $489.1 million from August 5, 1997, the date of our inception, through December 31, 2014, excluding sales of equity to GlaxoSmithKline (GSK) Amgen and Astellas. Included in these proceeds are $94.0 million received upon closing of the initial public offering of our common stock in May 2004. In connection with execution of our collaboration and license agreement in 2001, GSK made a $14.0 million equity investment in Cytokinetics. GSK made additional equity investments in Cytokinetics in 2003 and 2004 of $3.0 million and $7.0 million, respectively. In January 2007, in connection with the execution of the Amgen Agreement, we received net proceeds of $32.9 million from a stock purchase agreement with Amgen. In June 2013, in conjunction with the Amgen Agreement Amendment, we sold 1,404,100 shares of common stock to Amgen for an aggregate purchase price of $10.0 million, which we received in June 2013. In December 2014, in connection with the Amended Astellas Agreement, we sold 2,040,816 shares of common stock to Astellas for an aggregate purchase price of $10.0 million.

Table of Contents

On a cumulative basis through December 31, 2014, we have received $128.7 million in non-equity payments from Amgen, $30.1 million in non-equity payments from Astellas, and $54.5 million in non-equity payments from GSK, in each case related to our strategic alliances.

Amgen Agreement Amendment

In June 2013, we entered into the Amgen Agreement Amendment, which expanded our strategic alliance to include Japan (see Note 7, Related Parties and Related Party Transactions in the Notes to Consolidated Financial Statements). Under the terms of the Amgen Agreement Amendment, we received a non-refundable upfront license fee of $15.0 million in June 2013. In conjunction with the Amgen Agreement Amendment, we also entered into a common stock purchase agreement pursuant to which we sold 1,404,100 shares of our common stock to Amgen at a price per share of $7.12. The aggregate purchase price of $10.0 million was received in June 2013. We determined the fair value of the stock issued to Amgen to be $7.5 million. The excess of cash received over fair value of $2.5 million was deferred and was recognized as revenue as services were performed over approximately 12 months.

Original Astellas Agreement

In June 2013, we entered into the Original Astellas Agreement (see Note 7, Related Parties and Related Party Transactions in the Notes to Consolidated Financial Statements). In July 2013, we received an upfront non-refundable license payment of $16.0 million in connection with the execution of the Original Astellas Agreement. Pursuant to that agreement. we were eligible to potentially receive approximately $25.5 million in reimbursement of sponsored research and development activities during the initial two years of the collaboration. In addition, the agreement also provided for payments for the achievement of pre-specified milestones relating to the joint research and development program. In 2014, we recognized revenue of $17.0 million relating to milestones under the Original Astellas Agreement.

Amended Astellas Agreement

In December 2014, we entered into the Amended Astellas Agreement, which superseded the Original Astellas Agreement (see Note 7, Related Parties and Related Party Transactions in the Notes to Consolidated Financial Statements). Under the terms of the Amended Astellas Agreement, we received a non-refundable upfront license fee of $30.0 million in January 2015. In conjunction with the Amended Astellas Agreement, we also entered into a common stock purchase agreement pursuant to which we sold 2,040,816 shares common stock to Astellas at a price per share of $4.90. The aggregate purchase price of $10.0 million was received in December 2014. We determined the fair value of the stock issued to Astellas to be $9.1 million. The excess of cash received over fair value of $0.9 million was deferred and will be recognized as revenue as services are performed over approximately 24 months.

Under the Amended Astellas Agreement, we are eligible to potentially receive over $20.0 million in reimbursement of sponsored research and development activities during the next two years of the collaboration. In addition, we may also receive payments for the achievement of pre-specified milestones relating to the Amended Astellas Agreement.

April 2011 Private Offering

In April 2011, we entered into a securities purchase agreement with Deerfield Private Design Fund II, L.P., Deerfield Private Design International II, L.P., Deerfield Special Situations Fund, L.P., and Deerfield Special Situations Fund International Limited (collectively, Deerfield). In April 2011, pursuant to the agreement, we issued to Deerfield (i) 833,333 shares of common stock for a purchase price of $1.50 per share, (ii) 8,070 shares of Series A convertible preferred stock (the Series A Preferred Stock) for a purchase price of $1,500.00 per share, and (iii) warrants to purchase 1,114,168 shares of our common stock at an initial exercise price of

Table of Contents

$9.90 per share, for aggregate gross proceeds of approximately $20.1 million. After issuance costs of approximately $0.2 million, the net proceeds were approximately $19.9 million. The offering was made pursuant to a shelf registration statement that we filed with the SEC on November 10, 2008, which became effective on November 19, 2008 (File No. 333-155259).

On September 26, 2012, 8,070 shares of Series A Preferred Stock were converted into 1,345,000 shares of our common stock. The conversion was in accordance with the terms of the agreement with Deerfield under which the Series A Preferred Stock was issued in 2011.

MLV

On June 10, 2011, we entered into an At-The-Market Issuance Sales Agreement (the MLV Agreement) with McNicoll, Lewis & Vlak LLC (MLV), pursuant to which we issued and sold, through January 2014, 2,397,278 shares for total net proceeds of approximately $15.2 million. Sales of our common stock through MLV in 2014 were 364,103 shares for net proceeds of approximately $2.4 million. No shares remain available to us for sale through the MLV Agreement.

June 2012 Public Offerings

On June 20, 2012, we entered into underwriting agreements for two separate, concurrent offerings of our securities (the June 2012 Public Offerings). On June 25, 2012, pursuant to the underwriting agreements, in aggregate we issued to various investors (i) 9,320,176 shares of common stock for a purchase price of $4.56 per share, (ii) 23,026 shares of Series B convertible preferred stock (the Series B Preferred Stock) for a purchase price of $760.00 per share, and (iii) warrants to purchase 7,894,704 shares of our common stock at an exercise price of $5.28 per share, for aggregate gross proceeds of approximately $60.0 million. After issuance costs of approximately $4.0 million, the net proceeds from the June 2012 Public Offerings were approximately $56.0 million.

The warrants issued in the June 2012 Public Offerings became exercisable upon issuance and will remain exercisable until June 25, 2017. The warrant holders are prohibited from exercising the warrants and obtaining shares of common stock if, as a result of such exercise, the holder and its affiliates would own more than 9.98% of the total number of shares of our common stock then issued and outstanding. We valued the warrants as of the date of issuance at $16.2 million using the Black-Scholes option pricing model and the following assumptions: a contractual term of five years, a risk-free interest rate of 0.73%, volatility of 76%, and the fair value of our common stock on the issuance date of $3.78. In February 2013, warrants to purchase 1,000 shares of our common stock at an exercise price of $5.28 per share were exercised in accordance with the June 2012 Public Offerings underwriting agreements. In April 2013, we issued 358,460 shares of common stock related to cashless exercise of warrants. As of December 31, 2014, warrants to purchase 6,577,928 shares of our common stock were outstanding and exercisable.

In the first quarter of 2013, 4,000 shares of Series B Preferred Stock were converted into 666,667 shares of our common stock. In the second quarter of 2013, 15,026 shares of Series B Preferred Stock were converted into 2,504,333 shares of our common stock. In July, 2013, 4,000 shares of Series B Preferred Stock, which represented all remaining shares of Series B Preferred Stock, were converted into 666,681 shares of our common stock. The conversions were in accordance with the June 2012 Public Offerings underwriting agreements.

The June 2012 Public Offerings were made pursuant to a shelf registration statement that we filed with the SEC on November 25, 2011, which became effective on December 8, 2011 (File No. 333-178189) and a supplemental shelf registration statement on Form S-3MEF that we filed with the SEC on June 20, 2012, which became effective on June 20, 2012 (File No. 333-182226). The closing of the June 2012 Public Offerings took place on June 25, 2012.

Table of Contents

The fair value of the common stock into which the Series B Preferred Stock was convertible exceeded the allocated purchase price of the Series B Preferred Stock by $1.3 million on the date of issuance, resulting in a beneficial conversion feature. We recognized the beneficial conversion feature as a one-time, non-cash, deemed dividend to the holders of Series B Preferred Stock on the date of issuance, which is the date the stock first became convertible.

February 2014 Public Offering

On February 25, 2014, we closed an underwritten public offering for the issuance and sale of 5,031,250 shares of our common stock. The gross proceeds from this public offering were $40.3 million and net proceeds were $37.5 million, after deducting the underwriting discount and offering expenses.

Sources and Uses of Cash

Our cash, cash equivalents and investments totaled $83.2 million at December 31, 2014, compared to $80.2 million at December 31, 2013. The increase of $3.0 million was primarily due to net proceeds received of $37.5 million from the February 2014 public offering and proceeds of $10.0 million from the sale of common stock to Astellas in December 2014, partially offset by the use of cash to fund operations.

Net cash used in operating activities was $44.8 million in the year ended December 31, 2014 and was largely due to the ongoing research and development activities and recognition of deferred revenue for which payment had been received in prior periods. The net loss for the year ended December 31, 2014 included non-cash stock based compensation of $3.3 million. At December 31, 2014, deferred revenue of $33.6 million related largely to the deferral of revenue for Astellas based on the proportional performance model. Net cash used in operating activities was $7.7 million in the year ended December 31, 2013 and primarily resulted from the net loss of $33.7 million less $16.2 million of deferred revenue, $3.6 million of non-cash stock compensation expense and increased payables and accruals of $5.1 million.

Net cash used in investing activities of $4.0 million in the year ended December 31, 2014 was primarily due to purchases of investments, which exceeded proceeds from the maturity of investments by $2.9 million, and purchases of property and equipment. Net cash used in investing activities was $1.5 million in the year ended December 31, 2013 and primarily consisted cash used to purchase investments, net of proceeds from the maturity of investments, of $1.0 million.

Net cash provided by financing activities was $48.9 million in the year ended December 31, 2014 and primarily consisted of net proceeds of $37.5 million from the February 2014 public offering, net proceeds of $2.4 million from sales of our common stock pursuant to the MLV Agreement and proceeds of $9.1 million from the sale of common stock to Astellas. Net cash provided by financing activities was $14.5 million in the year ended December 31, 2013 and primarily consisted of the purchase of stock by Amgen (see Note 7, Related Party Research and Development Arrangements , in the Notes to Consolidated Financial Statements) and common stock sold pursuant to the MLV Agreement totaling $7.5 million. Repurchases of common stock in 2013 to satisfy employee withholding obligations totaled $0.6 million.

Shelf Registration Statements. In November 2011, we filed a shelf registration statement with the SEC, which was declared effective in December 2011 (the December 2011 Shelf). The December 2011 Shelf allowed us to issue securities from time to time for an aggregate offering price of up to $100.0 million. In June 2012, we filed a supplemental shelf registration statement with the SEC, which was declared effective in June 2012 (the Supplemental Shelf). The Supplemental Shelf allowed us to issue additional securities from time to time for an aggregate offering price of up to $20.0 million, and for a total aggregate offering price under the December 2011 Shelf and the Supplemental Shelf of up to $120.0 million. The December 2011 Shelf and the Supplemental Shelf expired in December 2014.

Table of Contents

In November 2013, we filed a shelf registration statement with the SEC, which was declared effective in December 2013 (the December 2013 Shelf). The December 2013 Shelf allowed us to issue common stock and preferred stock, and/or warrants to purchase any of such securities with a total value of up to $150.0 million. As of February 27, 2015, $109.7 million remains available to us under the December 2013 Shelf. The specific terms of offerings, if any, under the December 2013 Shelf will be established at the time of such offerings.

Contractual Obligations and Commitments

Our contractual obligations for the next five years and thereafter are as follows (in thousands):

	Payments Due by Period				
	Within One Year	One to Three Years	Three to Five Years	After Five Years	Total
Operating lease obligations(1)	$ 3,390	$ 7,130	$ 1,860	$	$ 12,380

(1) Our long-term commitment under operating lease relates to payments under our facility lease in South San Francisco, California, which expires in 2018.

In future periods, we expect to incur substantial costs as we continue to expand our research programs and related research and development activities. We plan to continue development of our fast skeletal muscle troponin activator tirasemtiv for the potential treatment of ALS. We plan to continue development of our fast skeletal muscle troponin activator CK-2127107 for the potential treatment of SMA and potentially other diseases and conditions related to skeletal muscle weakness or wasting and research of potential next-generation compounds as part of our strategic alliance with Astellas. We plan to continue to support the development of our cardiac muscle myosin activator omecamtiv mecarbil for the potential treatment of heart failure and the research of potential next-generation compounds as part of our strategic alliance with Amgen. We expect to incur significant research and development expenses as we advance the research and development of compounds from our other muscle biology programs through research to candidate selection.

Our future capital uses and requirements depend on numerous factors. These factors include, but are not limited to, the following:

the initiation, progress, timing, scope and completion of preclinical research, non-clinical development and clinical trials for our drug candidates and other compounds;

the time and costs involved in obtaining regulatory approvals;

delays that may be caused by requirements of regulatory agencies;

Amgen s decisions with regard to funding of development and commercialization of omecamtiv mecarbil or other compounds for the potential treatment of heart failure under our collaboration;

Astellas decisions with regard to funding of development and commercialization of CK-2127107 or other skeletal muscle activators under our collaboration;

our level of funding for the development of current or future drug candidates;

the number of drug candidates we pursue;

the costs involved in filing and prosecuting patent applications and enforcing or defending patent claims;

our ability to establish and maintain selected strategic alliances required for the development of drug candidates and commercialization of our potential drugs;

our plans or ability to expand our drug development capabilities, including our capabilities to conduct clinical trials for our drug candidates;

our plans or ability to engage third party manufacturers for our drug candidates and potential drugs;

Table of Contents

our plans or ability to build or access sales and marketing capabilities and to achieve market acceptance for potential drugs;

the expansion and advancement of our research programs;

the hiring of additional employees and consultants;

the expansion of our facilities;

the acquisition of technologies, products and other business opportunities that require financial commitments; and

our revenues, if any, from successful development of our drug candidates and commercialization of potential drugs.

We have incurred an accumulated deficit of $497.2 million since inception and there can be no assurance that we will attain profitability. We are subject to risks common to clinical-stage companies including, but not limited to, development of new drug candidates, dependence on key personnel, and the ability to obtain additional capital as needed to fund our future plans. Our liquidity will be impaired if sufficient additional capital is not available on terms acceptable to us, if at all. To date, we have funded our operations primarily through sales of our common stock and convertible preferred stock, contract payments under our collaboration agreements, debt financing arrangements, grants and interest income. Until we achieve profitable operations, we intend to continue to fund operations through payments from strategic collaborations, additional sales of equity securities, grants and debt financings. We have never generated revenues from commercial sales of our drugs and may not have drugs to market for at least several years, if ever. Our success is dependent on our ability to obtain additional capital by entering into new strategic collaborations and/or through equity or debt financings, and ultimately on our and our collaborators ability to successfully develop and market one or more of our drug candidates. We cannot be certain that sufficient funds will be available from such collaborators or financings when needed or on satisfactory terms. Additionally, there can be no assurance that any of drugs based on our drug candidates will be accepted in the marketplace or that any future products can be developed or manufactured at an acceptable cost. These factors could have a material adverse effect on our future financial results, financial position and cash flows.

Based on the current status of our development plans, we believe that our existing cash and cash equivalents, investments and interest earned on investments will be sufficient to meet our projected operating requirements for at least the next 12 months. If, at any time, our prospects for internally financing our research and development programs decline, we may decide to reduce research and development expenses by delaying, discontinuing or reducing our funding of development of one or more of our drug candidates or of other research and development programs. Alternatively, we might raise funds through strategic relationships, public or private financings or other arrangements. There can be no assurance that funding, if needed, will be available on attractive terms, or at all, or in accordance with our planned timelines. Furthermore, financing obtained through future strategic relationships may require us to forego certain commercialization and other rights to our drug candidates. Similarly, any additional equity financing may be dilutive to stockholders and debt financing, if available, may involve restrictive covenants. Our failure to raise capital as and when needed could have a negative impact on our financial condition and our ability to pursue our business strategy.

Off-balance Sheet Arrangements

We are not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the

Table of Contents

United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses and related disclosure of contingent assets and liabilities. We review our estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. While our significant accounting policies are described in more detail in the notes to our financial statements included in this Annual Report on Form 10-K, we believe the following accounting policies to be critical to the judgments and estimates used in the preparation of our financial statements.

Investments

Available-for-sale investments. Our investments consist of municipal and government agency bonds, commercial paper, U.S. Treasury securities, and money market funds. We designate all investments as available-for-sale. Therefore, they are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income. See Note 3, Cash Equivalents and Investments in the Notes to Consolidated Financial Statements for further detailed discussion. Investments with original maturities greater than three months and remaining maturities less than one year are classified as short-term investments. Investments with remaining maturities greater than one year are classified as long-term investments. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses and declines in value judged to be other-than-temporary, if any, on available-for-sale securities are included in other income or expense. Interest and dividends on securities classified as available-for-sale are included in Interest and Other, net.

Other-than-temporary impairment. All of our available-for-sale investments are subject to a periodic impairment review. We recognize an impairment charge when a decline in the fair value of our investments below the cost basis is judged to be other-than-temporary. Factors considered by management in assessing whether an other-than-temporary impairment has occurred include: the nature of the investment; whether the decline in fair value is attributable to specific adverse conditions affecting the investment; the financial condition of the investee; the severity and the duration of the impairment; and whether we have the intent and ability to hold the investment to maturity. When we determine that an other-than-temporary impairment has occurred, the investment is written down to its market value at the end of the period in which we determine that an other-than-temporary decline occurred.

Revenue Recognition

We recognize revenue when the following criteria have been met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the fee is fixed or determinable; and collectability is reasonably assured. Determination of whether persuasive evidence of an arrangement exists and whether delivery has occurred or services have been rendered are based on management s judgments regarding the fixed nature of the fee charged for research performed and milestones met, and the collectability of those fees. Should changes in conditions cause management to determine these criteria are not met for certain future transactions, revenue recognized for any reporting period could be adversely affected.

Revenue under our license and collaboration arrangements is recognized based on the performance requirements of the contract. Research and development revenues, which are earned under agreements with third parties for agreed research and development activities, may include non-refundable license fees, research and development funding, cost reimbursements and contingent milestones and royalties. Our collaborations prior to January 1, 2011 with multiple elements were evaluated and divided into separate units of accounting if certain criteria were met, including whether the delivered element had stand-alone value to the customer and whether there were vendor-specific objective and reliable evidence (VSOE) of the fair value of the undelivered items. The consideration we received was allocated among the separate units based on their respective fair values, and

Table of Contents

the applicable revenue recognition criteria were applied to each of the separate units. The consideration we received was combined and recognized as a single unit of accounting when criteria for separation were not met.

On January 1, 2011, Accounting Standards Codification (ASC) Topic 605-25, *Revenue Recognition Multiple-Element Arrangements* (ASC 605-25) on the recognition of revenues for agreements with multiple deliverables became effective and applies to any agreements we entered into on or after January 1, 2011. Under this updated guidance, revenue will be allocated to each element using a selling price hierarchy, where the selling price for an element is based on VSOE if available; third-party evidence (TPE), if available and VSOE is not available; or the best estimate of selling price, if neither VSOE nor TPE is available.

Upfront, non-refundable licensing payments are assessed to determine whether or not the licensee is able to obtain stand-alone value from the license. Where the license does not have stand-alone value, non-refundable license fees are recognized as revenue as we perform under the applicable agreement. Where the level of effort is relatively consistent over the performance period, we recognize total fixed or determined revenue on a straight-line basis over the estimated period of expected performance. Where the license has stand-alone value, we recognize total license revenue at the time all revenue recognition criteria have been met.

Also on January 1, 2011, ASC Topic 605-28, *Revenue Recognition Milestone Method* (ASC 605-28) became effective and established the milestone method as an acceptable method of revenue recognition for certain contingent event-based payments under research and development arrangements. Under the milestone method, a payment that is contingent upon the achievement of a substantive milestone is recognized in its entirety in the period in which the milestone is achieved. A milestone is an event (i) that can be achieved based in whole or in part on either our performance or on the occurrence of a specific outcome resulting from our performance, (ii) for which there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved, and (iii) that would result in additional payments being due to us. The determination that a milestone is substantive is based on management s judgment and is made at the inception of the arrangement. Milestones are considered substantive when the consideration earned from the achievement of the milestone is (i) commensurate with either our performance to achieve the milestone or the enhancement of value of the item delivered as a result of a specific outcome resulting from our performance to achieve the milestone, (ii) relates solely to past performance and (iii) is reasonable relative to all deliverables and payment terms in the arrangement.

Other contingent event-based payments received for which payment is either contingent solely upon the passage of time or the results of a collaborative partner s performance are not considered milestones under ASC 605-28. In accordance with ASC 605-25, such payments will be recognized as revenue when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) price is fixed or determinable, (iv) and collectability is reasonably assured.

For our collaborations entered into prior to January 1, 2011, we recognized and will continue to recognize milestone payments as revenue upon achievement of the milestone, provided the milestone payment was non-refundable, substantive effort and risk was involved in achieving the milestone and the amount of the milestone was reasonable in relation to the effort expended or risk associated with the achievement of the milestone. If these conditions were not met, we deferred the milestone payment and recognized it as revenue over the estimated period of performance under the contract as we completed our performance obligations. We have concluded that all of the future contingent milestone payments pursuant to our research and development arrangements entered into prior to January 1, 2011 are not considered substantive as they are the results of a collaborative partner s performance. Therefore, they are not considered milestones under ASC 605-28.

For our collaborations and material modifications entered into after January 1, 2011, we account for milestone payments under the provisions of ASC 605-28. We consider an event to be a milestone if there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved, if the event can only be achieved with our performance, and if the achievement of the event results in payment to us. If we determine a milestone is substantive, we recognize revenue when payment is earned and becomes payable. For a milestone to be considered substantive, it must be achieved with our performance, be reasonable relative to the

Table of Contents

terms of the arrangement and be commensurate with our effort to achieve the milestone or commensurate with the enhanced value of the delivered item(s) as a result of the milestone achievement. If we determine a milestone is not substantive, we defer the payment and recognize revenue over the estimated period of performance as we complete our performance obligations.

Research and development revenues and cost reimbursements are based upon negotiated rates for our FTEs and actual out-of-pocket costs. FTE rates are negotiated rates that are based upon our costs, and which we believe approximate fair value. Any amounts received in advance of performance are recorded as deferred revenue. None of the revenues recognized to date are refundable if the relevant research effort is not successful. In revenue arrangements in which both parties make payments to each other, we evaluate the payments to determine whether payments made by us will be recognized as a reduction of revenue or as expense. Revenue we recognize may be reduced by payments made to the other party under the arrangement unless we receive a separate and identifiable benefit in exchange for the payments and we can reasonably estimate the fair value of the benefit received.

Funds received from third parties under grant arrangements are recorded as revenue if we are deemed to be the principal participant in the grant arrangement as the activities under the grant are part of our development programs. If we are not the principal participant, the grant funds are recorded as a reduction to research and development expense. Grant funds received are not refundable and are recognized when the related qualified research and development costs are incurred and when there is reasonable assurance that the funds will be received. Funds received in advance are recorded as deferred revenue.

Preclinical Study and Clinical Trial Accruals

A substantial portion of our preclinical studies and all of our clinical trials have been performed utilizing third-party contract research organizations (CROs) and other vendors. For preclinical studies, the significant factors used in estimating accruals include the percentage of work completed to date and contract milestones achieved. For clinical trial expenses, the significant factors used in estimating accruals include the number of patients enrolled, duration of enrollment and percentage of work completed to date. We monitor patient enrollment levels and related activities to the extent possible through internal reviews, correspondence and status meetings with CROs and review of contractual terms. Our estimates are dependent on the timeliness and accuracy of data provided by our CROs and other vendors. If we have incomplete or inaccurate data, we may under- or overestimate activity levels associated with various studies or clinical trials at a given point in time. In this event, we could record adjustments to research and development expenses in future periods when the actual activity levels become known. No material adjustments to preclinical study and clinical trial expenses have been recognized to date.

Stock-Based Compensation

We apply the accounting guidance for stock compensation, which establishes the accounting for share-based payment awards made to employees and directors, including employee stock options and employee stock purchases. Under this guidance, stock-based compensation cost is measured at the grant date based on the calculated fair value of the award, and is recognized as an expense on a straight-line basis over the employee s requisite service period, generally the vesting period of the award.

Under the guidance for stock compensation for non-employees, we measure the fair value of the award each period until the award is fully vested.

As required under the accounting rules, we review our valuation assumptions at each grant date and, as a result, from time to time we will likely change the valuation assumptions we use to value stock based awards granted in future periods. The assumptions used in calculating the fair value of share-based payment awards represent management s best estimates at the time, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if conditions change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and recognize expense only for those shares expected to vest. If our actual

Table of Contents

forfeiture rate is materially different from our estimate, the stock-based compensation expense could be significantly different from what we have recorded in the current period.

Income Taxes

We account for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce the deferred tax assets to the amounts expected to be realized. We did not record an income tax provision in the years ended December 31, 2014, 2013 or 2012 because we had a net taxable loss in these periods.

Based upon the weight of available evidence, which includes our historical operating performance, reported cumulative net losses since inception and difficulty in accurately forecasting our future results, we maintained a full valuation allowance on the net deferred tax assets as of December 31, 2014, 2013 and 2012. The valuation allowance was determined pursuant to the accounting guidance for income taxes, which requires an assessment of both positive and negative evidence when determining whether it is more likely than not that deferred tax assets are recoverable. We intend to maintain a full valuation allowance on the U.S. deferred tax assets until sufficient positive evidence exists to support reversal of the valuation allowance. The valuation allowance increased by $1.0 million in 2014, $13.7 million in 2013 and $21.1 million in 2012.

We also follow the accounting guidance that defines the threshold for recognizing the benefits of tax return positions in the financial statements as more-likely-than-not to be sustained by the taxing authorities based solely on the technical merits of the position. If the recognition threshold is met, the tax benefit is measured and recognized as the largest amount of tax benefit that, in our judgment, is greater than 50% likely to be realized.

The significant jurisdictions in which we file income tax returns are the United States and the state of California. For jurisdictions in which tax filings are made, we are subject to income tax examination for all fiscal years since inception. The IRS s Large Business and International Division concluded its audit of the 2009 tax year with no material adjustments. However, in general, the statute of limitations for tax liabilities for these years remains open for the purpose of adjusting the amounts of the losses and credits carried forward from those years. We believe that we maintain adequate reserves for uncertain tax positions.

Interest accrued related to unrecognized tax benefits and penalties was zero for 2014, 2013 and 2012. We account for interest related to unrecognized tax benefits and penalties by classifying both as income tax expense in the financial statements in accordance with the accounting guidance for uncertainty in income taxes. We do not expect our unrecognized tax benefits to change materially over the next twelve months.

In general, under Section 382 of the Internal Revenue Code (Section 382), a corporation that undergoes an ownership change is subject to limitations on its ability to utilize its pre-change net operating losses (NOLs) and tax credits to offset future taxable income. We have performed a Section 382 analysis and do not believe that we have experienced an ownership change since 2006. A portion of our existing NOLs and tax credits are subject to limitations arising from previous ownership changes. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 and result in additional limitations.

Recent Accounting Pronouncements

See Recent Accounting Pronouncements in Note 1, Organization and Significant Accounting Policies in the Notes to Consolidated Financial Statements for a discussion of recently adopted accounting pronouncements and accounting pronouncements not yet adopted, and their expected impact on our financial position and results of operations.

Table of Contents

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

Interest Rate and Market Risk

Our exposure to market risk is limited to interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because the majority of our investments are in short-term debt securities. The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive without significantly increasing risk. We are exposed to the impact of interest rate changes and changes in the market values of our investments. Our interest income is sensitive to changes in the general level of U.S. interest rates. Our exposure to market rate risk for changes in interest rates relates primarily to our investment portfolio. We have not used derivative financial instruments in our investment portfolio. We invest the majority of our excess cash in U.S. Treasuries and, by policy, limit the amount of credit exposure in any one issuer and investment class, with the exception of obligations of the U.S. Treasury and federal agencies, for which there are no such limits. We protect and preserve our invested funds by attempting to limit default, market and reinvestment risk. Investments in both fixed-rate and floating-rate interest-earning instruments carry a degree of interest rate risk. Fixed-rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating-rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates. To minimize risk, we maintain our portfolio of cash and cash equivalents and short- and long-term investments in a variety of interest-bearing instruments, including U.S. government and agency securities, high grade municipal and U.S. bonds and money market funds. Our investment portfolio of short- and long-term investments is subject to interest rate risk, and will fall in value if market interest rates increase.

Our cash and cash equivalents are invested in highly liquid securities with maturities of three months or less at the time of purchase. Consequently, we do not consider our cash and cash equivalents to be subject to significant interest rate risk and have therefore excluded them from the table below. We do not have any foreign currency or derivative financial instruments.

The table below presents the principal amounts and weighted average interest rates by year of maturity for our investment portfolio (dollars in thousands):

	2015	Total	Fair Value at December 31, 2014
Assets:			
Investments	$ 63,013	$ 63,013	$ 63,013
Average interest rate	0.17%	0.17%	

Table of Contents

Item 8. ***Financial Statements and Supplementary Data***

CYTOKINETICS, INCORPORATED

INDEX TO FINANCIAL STATEMENTS

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Cytokinetics, Incorporated:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of comprehensive loss, of stockholders equity and of cash flows present fairly, in all material respects, the financial position of Cytokinetics, Incorporated at December 31, 2014 and December 31, 2013, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PRICEWATERHOUSECOOPERS LLP

San Jose, CA

March 6, 2015

Table of Contents

CYTOKINETICS, INCORPORATED

CONSOLIDATED BALANCE SHEETS

	December 31, 2014	2013
	(In thousands, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,215	$ 20,158
Short-term investments	63,013	57,570
Related party accounts receivable	46,646	5
Prepaid and other current assets	1,257	1,605
Total current assets	131,131	79,338
Property and equipment, net	1,637	1,221
Long-term investments		2,502
Other assets	200	127
Total assets	$ 132,968	$ 83,188
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 1,361	$ 3,709
Accrued liabilities	5,400	8,272
Deferred revenue, current	17,042	14,701
Short-term portion of deferred rent	52	22
Total current liabilities	23,855	26,704
Deferred revenue, non-current	16,558	1,500
Long-term portion of deferred rent	491	542
Total liabilities	40,904	28,746
Commitments and contingencies (Note 10)		
Stockholders equity:		
Preferred stock, $0.001 par value:		
Authorized: 10,000,000 shares;		
Issued and outstanding: Series A Convertible Preferred Stock zero shares at December 31, 2014 and December 31, 2013		
Common stock, $0.001 par value:		
Authorized: 81,500,000 shares;		
Issued and outstanding: 38,659,738 shares at December 31, 2014 and 30,681,624 shares at December 31, 2013	39	31
Additional paid-in capital	589,272	537,001
Accumulated other comprehensive income	(4)	7
Accumulated deficit	(497,243)	(482,597)
Total stockholders equity	92,064	54,442
Total liabilities and stockholders equity	$ 132,968	$ 83,188

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

82

Table of Contents

CYTOKINETICS, INCORPORATED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Years Ended December 31,		
	2014	2013	2012
	(In thousands, except per share data)		
Revenues:			
Research and development revenues from related parties	$ 19,538	$ 2,019	$ 4,177
Research and development, grant and other revenues	17,566	7,547	3,382
License revenues from related parties		17,230	
License revenues	9,836	3,852	
Total revenues	46,940	30,648	7,559
Operating expenses:			
Research and development	44,426	49,450	35,643
General and administrative	17,268	15,092	12,429
Restructuring reversals			(56)
Total operating expenses	61,694	64,542	48,016
Operating loss	(14,754)	(33,894)	(40,457)
Interest and other, net	108	177	87
Loss before income taxes	(14,646)	(33,717)	(40,370)
Income tax benefit			
Net loss	(14,646)	(33,717)	(40,370)
Deemed dividend related to beneficial conversion feature of convertible preferred stock			(1,307)
Net loss allocable to common stockholders	$ (14,646)	$ (33,717)	$ (41,677)
Net loss per share allocable to common stockholders basic and diluted	$ (0.41)	$ (1.24)	$ (2.30)
Weighted-average number of shares used in computing net loss per share allocable to common stockholders basic and diluted	35,709	27,275	18,107
Other comprehensive gain (loss):			
Unrealized gains (losses) on available-for-sale securities, net	(11)	(11)	15
Comprehensive loss	$ (14,657)	$ (33,728)	$ (40,355)

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

Table of Contents

CYTOKINETICS, INCORPORATED

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

	Common Stock		Preferred Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders Equity
	Shares	Amount	Shares	Amount				
	(In thousands, except share and per share data)							
Balance, December 31, 2011	12,485,957	$ 13	8,070	$	$ 456,672	$ 3	$ (408,510)	$ 48,178
Issuance of common stock pursuant to ESPP at a weighted price of $4.32 per share	15,010				65			65
Issuance of common stock upon exercise of restricted stock units	144,045				(401)			(401)
Issuance of common stock pursuant to June 2012 public offerings at $4.56 per share, net of issuance costs of $2,139	9,320,176	9			29,907			29,916
Issuance of Series B convertible preferred stock pursuant to June 2012 public offerings at $760 per share, net of issuance costs of $881			23,026		12,318			12,318
Issuance of warrants pursuant to June 2012 public offerings, net of issuance costs of $984					13,761			13,761
Issuance of common stock to MLV at $6.30-$7.20 per share, net of commission and issuance costs of $89	432,724	1			2,819			2,820
Conversion of Series A convertible preferred stock to common stock at $1,000 per share	1,345,000	1	(8,070)		(1)			
Stock-based compensation					3,783			3,783
Other comprehensive income						15		15
Net loss							(40,370)	(40,370)
Balance, December 31, 2012	23,742,912	24	23,026		$ 518,923	18	(448,880)	70,085
Issuance of common stock upon exercise of stock options for cash at $4.02-$11.10 per share	21,397				114			114
Issuance of common stock pursuant to ESPP at a weighted price of $3.66 per share	14,985				55			55
Issuance of common stock upon exercise of restricted stock units	130,534				(623)			(623)
Issuance of common stock to related party for $7.12 per share, net of issuance costs of $21	1,404,100	2			7,448			7,450
Issuance of common stock upon exercise of warrants	359,460				5			5
Conversion of Series B convertible preferred stock to common stock at $1,000 per share	3,837,681	4	(23,026)		(4)			
Fractional shares settlement pursuant to reverse stock split	(28)							
Issuance of common stock to MLV at $6.50-$6.79 per share, net of commission and issuance costs of $232	1,170,583	1			7,486			7,487
Stock-based compensation					3,597			3,597
Other comprehensive loss						(11)		(11)
Net loss							(33,717)	(33,717)

Table of Contents

CYTOKINETICS, INCORPORATED

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (Continued)

	Common Stock Shares	Common Stock Amount	Preferred Stock Shares	Preferred Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders Equity
					(In thousands, except share and per share data)			
Balance, December 31, 2013	30,681,624	$ 31		$	$ 537,001	$ 7	$ (482,597)	$ 54,442
Issuance of common stock upon exercise of stock options for cash at $6.00 per share	390				2			2
Issuance of common stock pursuant to ESPP at a weighted price of $3.38 per share	19,726				67			67
Issuance of common stock upon exercise of restricted stock units	11,704				(96)			(96)
Issuance of common stock upon exercise of warrants	510,125	1			5			6
Issuance of common stock to MLV at $6.64-$6.79 per share, net of commission and issuance costs of $74	364,103				2,376			2,376
Issuance of common stock to collaborative partner for $4.90 per share, net of issuance costs of $8	2,040,816	2			9,100			9,102
Issuance of common stock pursuant to February 2014 public offerings at $8.00 per share, net of issuance costs of $2,800	5,031,250	5			37,487			37,492
Stock-based compensation					3,330			3,330
Other comprehensive loss						(11)		(11)
Net loss							(14,646)	(14,646)
Balance, December 31, 2014	38,659,738	$ 39		$	$ 589,272	$ (4)	$ (497,243)	$ 92,064

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

Table of Contents

CYTOKINETICS, INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2014	2013	2012
		(In thousands)	
Cash flows from operating activities:			
Net loss	$ (14,646)	$ (33,717)	$ (40,370)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization of property and equipment	490	433	591
Gain on disposal of equipment		(79)	(2)
Non-cash restructuring expenses, net of reversals			(56)
Stock-based compensation	3,330	3,597	3,783
Gain on sale of investments	(6)		
Changes in operating assets and liabilities:			
Related party accounts receivable	(46,641)		10
Prepaid and other assets	274	818	(320)
Accounts payable	(2,178)	1,656	690
Accrued and other liabilities	(2,865)	3,523	2,098
Related party payables and accrued liabilities		(150)	138
Deferred revenue	17,399	16,201	
Net cash used in operating activities	(44,843)	(7,718)	(33,438)
Cash flows from investing activities:			
Purchases of investments	(107,043)	(79,434)	(92,788)
Proceeds from sales and maturities of investments	104,098	78,444	63,900
Purchases of property and equipment	(1,104)	(542)	(125)
Proceeds from sales of property and equipment		13	2
Decrease in restricted cash			196
Net cash used in investing activities	(4,049)	(1,519)	(28,815)
Cash flows from financing activities:			
Proceeds from public offerings of common stock, net of issuance costs	48,971	7,450	43,677
Proceeds from draw down of committed equity financing facilities and at-the-market facility, net of commission and issuance costs			2,820
Payments from stock based award activities and warrants, net	(22)	7,038	(336)
Proceeds from issuance of preferred stock, net of issuance costs			12,318
Repayment of equipment financing lines			(152)
Net cash provided by financing activities	48,949	14,488	58,327
Net increase (decrease) in cash and cash equivalents	57	5,251	(3,926)
Cash and cash equivalents, beginning of period	20,158	14,907	18,833
Cash and cash equivalents, end of period	$ 20,215	$ 20,158	$ 14,907

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

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Organization and Significant Accounting Policies

Organization

Cytokinetics, Incorporated (the Company , we or our) was incorporated under the laws of the state of Delaware on August 5, 1997. The Company is a clinical stage biopharmaceutical company focused on the discovery and development of novel small molecule therapeutics that modulate muscle function for the potential treatment of serious diseases and medical conditions.

The Company was in the development stage at December 31, 2012, as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 915, *Development Stage Entities*. During the year ended December 31, 2013, the Company exited the development stage with the execution of the Amgen Agreement Amendment and the Original Astellas Agreement (See Note 7), from which the Company received significant revenues from its principal operations, indicative that the Company was no longer in the development stage.

The Company s financial statements contemplate the conduct of the Company s operations in the normal course of business. The Company has incurred an accumulated deficit of $497.2 million since inception and there can be no assurance that the Company will attain profitability. The Company had a net loss of $14.6 million and net cash used in operations of $44.8 million for the year ended December 31, 2014. Cash, cash equivalents and investments increased to $83.2 million at December 31, 2014 from $80.2 million at December 31, 2013. The Company anticipates that it will continue to have operating losses and net cash outflows in future periods.

The Company is subject to risks common to clinical stage biopharmaceutical companies including, but not limited to, development of new drug candidates, dependence on key personnel, and the ability to obtain additional capital as needed to fund its future plans. The Company s liquidity will be impaired if sufficient additional capital is not available on terms acceptable to the Company. To date, the Company has funded its operations primarily through sales of its common stock and convertible preferred stock, contract payments under its collaboration agreements, debt financing arrangements, government grants and interest income. Until it achieves profitable operations, the Company intends to continue to fund operations through payments from strategic collaborations, additional sales of equity securities, grants and debt financings. The Company has never generated revenues from commercial sales of its drugs and may not obtain regulatory approval for commercialization for at least several years, if ever. The Company s success is dependent on its ability to enter into new strategic collaborations and/or raise additional capital and to successfully develop and market one or more of its drug candidates. As a result, the Company may choose to raise additional capital through equity or debt financings to continue to fund its operations in the future. The Company cannot be certain that sufficient funds will be available from such a financing or through a collaborator when required or on satisfactory terms. Additionally, there can be no assurance that the Company s drug candidates will be accepted in the marketplace or that any future products can be developed or manufactured at an acceptable cost. These factors could have a material adverse effect on the Company s future financial results, financial position and cash flows.

Based on the current status of its research and development plans, the Company believes that its existing cash, cash equivalents and investments at December 31, 2014 will be sufficient to fund its cash requirements for at least the next 12 months. If, at any time, the Company s prospects for financing its research and development programs decline, the Company may decide to reduce research and development expenses by delaying, discontinuing or reducing its funding of one or more of its research or development programs. Alternatively, the Company might raise funds through strategic collaborations, public or private financings or other arrangements. Such funding, if needed, may not be available on favorable terms, or at all. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The consolidated financial statements include the accounts of Cytokinetics and its wholly owned subsidiary. The financial statements include all adjustments (consisting only of normal recurring adjustments) that management believes are necessary for the fair presentation of the balances and results for the periods presented.

Concentration of Credit Risk and Other Risks and Uncertainties

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

The Company s cash, cash equivalents and investments are invested in deposits with three major financial institutions in the United States. Deposits in these banks may exceed the amount of insurance provided on such deposits. The Company has not experienced any realized losses on its deposits of cash, cash equivalents or investments.

The economic turmoil in the United States in recent years, the extraordinary volatility in the stock markets and other current negative macroeconomic indicators could negatively impact the Company s ability to raise the funds necessary to support its business and may materially adversely affect its business, operating results and financial condition.

The Company performs an ongoing credit evaluation of its strategic partners financial conditions and generally does not require collateral to secure accounts receivable from its strategic partners. The Company s exposure to credit risk associated with non-payment will be affected principally by conditions or occurrences within Amgen Inc. (Amgen) and Astellas Pharma Inc. (Astellas), its strategic partners. Approximately 10%, 63% and 55% of total revenues for the years ended December 31, 2014, 2013 and 2012, respectively, were derived from Amgen. Accounts receivable due from Amgen were $1.6 million and zero at December 31, 2014 and 2013, respectively. See also Note 7, Related Party Transactions, regarding the collaboration agreement with Amgen. Approximately 69% and 34% of total revenues for the years ended December 31, 2014 and 2013, respectively, were derived from Astellas. Accounts receivable due from Astellas were $45.0 million and zero at December 31, 2014 and 2013, respectively. See also Note 7, Related Party Transactions, regarding the collaboration agreement with Astellas.

Drug candidates developed by the Company may require approvals or clearances from the U.S. Food and Drug Administration (FDA) or international regulatory agencies prior to commercialized sales. There can be no assurance that the Company s drug candidates will receive any of the required approvals or clearances. If the Company was to be denied approval or clearance or any such approval or clearance was to be delayed, it would have a material adverse impact on the Company.

The Company s operations and employees are located in the United States. In the year ended December 31, 2014, 31% of the Company s revenues were received from entities located in the United States and 69% were

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

received from a Japanese entity. In the year ended December 31, 2013, 66% of the Company s revenues were received from entities located in the United States and 34% were received from a Japanese entity. In the year ended December 31, 2012, all of the Company s revenues were received from entities located in the United States or from United States affiliates of foreign corporations.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Investments

Available-for-sale investments. The Company s investments consist of U.S. Treasury securities, money market funds, U.S. municipal and government agency bonds, and commercial paper. The Company designates all investments as available-for-sale and therefore reports them at fair value, based on quoted marked prices, with unrealized gains and losses recorded in accumulated other comprehensive loss. The cost of securities sold is based on the specific-identification method. Investments with original maturities greater than three months and remaining maturities of one year or less are classified as short-term investments. Investments with remaining maturities greater than one year are classified as long-term investments. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Recognized gains and losses and declines in value judged to be other-than-temporary, if any, on available-for-sale securities are included in other income or expense. Interest and dividends on securities classified as available-for-sale are included in Interest and other, net.

Other-than-temporary impairment. All of the Company s available-for-sale investments are subject to a periodic impairment review. The Company recognizes an impairment charge when a decline in the fair value of its investments below the cost basis is judged to be other-than-temporary. Factors considered by management in assessing whether an other-than-temporary impairment has occurred include: the nature of the investment; whether the decline in fair value is attributable to specific adverse conditions affecting the investment; the financial condition of the investee; the severity and the duration of the impairment; and whether the Company has the intent and ability to hold the investment to maturity. When the Company determines that an other-than-temporary impairment has occurred, the investment is written down to its market value at the end of the period in which it is determined that an other-than-temporary decline has occurred.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and are depreciated on a straight-line basis over the estimated useful lives of the related assets, which are generally three years for computer equipment and software, five years for laboratory equipment and office equipment, and seven years for furniture and fixtures. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the related assets, typically ranging from three to seven years. Upon sale or retirement of assets, the costs and related accumulated depreciation and amortization are removed from the balance sheet and the resulting gain or loss is reflected in operations. Maintenance and repairs are charged to operations as incurred.

Impairment of Long-lived Assets

In accordance with the accounting guidance for the impairment or disposal of long-lived assets, the Company reviews long-lived assets, including property and equipment, for impairment whenever events or

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Under the accounting guidance, an impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. Impairment, if any, is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Revenue Recognition

The accounting guidance for revenue recognition requires that the following criteria must be met before revenue can be recognized: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the fee is fixed or determinable; and (iv) collectability is reasonably assured. Determination of whether persuasive evidence of an arrangement exists and whether delivery has occurred or services have been rendered are based on management s judgments regarding the fixed nature of the fee charged for research performed and milestones met, and the collectability of those fees. Should changes in conditions cause management to determine these criteria are not met for certain future transactions, revenue recognized for any reporting period could be adversely affected.

Revenue under our license and collaboration arrangements is recognized based on the performance requirements of the contract. Research and development revenues, which are earned under agreements with third parties for agreed research and development activities, may include non-refundable license fees, research and development funding, cost reimbursements and contingent milestones and royalties. The Company s collaborations prior to January 1, 2011 with multiple elements were evaluated and divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value to the customer and whether there was vendor-specific objective and reliable evidence (VSOE) of the fair value of the undelivered items. The consideration the Company received was allocated among the separate units based on their respective fair values, and the applicable revenue recognition criteria were applied to each of the separate units. The consideration the Company received was combined and recognized as a single unit of accounting when criteria for separation were not met. On January 1, 2011, ASC Topic 605-25, *Revenue Recognition Multiple-Element Arrangements* (ASC 605-25) on the recognition of revenues for agreements with multiple deliverables became effective and applies to any agreements the Company entered into on or after January 1, 2011. Under this updated guidance, revenue is allocated to each element using a selling price hierarchy, where the selling price for an element is based on VSOE if available; third-party evidence (TPE), if available and VSOE is not available; or the best estimate of selling price, if neither VSOE nor TPE is available.

Upfront, non-refundable licensing payments are assessed to determine whether or not the licensee is able to obtain stand-alone value from the license. Where the license does not have stand-alone value, non-refundable license fees are recognized as revenue as the Company performs under the applicable agreement. Where the level of effort is relatively consistent over the performance period, the Company recognizes total fixed or determined revenue on a straight-line basis over the estimated period of expected performance. Where the license has stand-alone value, the Company recognizes total license revenue at the time all revenue recognition criteria have been met.

ASC Topic 605-28, *Revenue Recognition Milestone Method* (ASC 605-28), established the milestone method as an acceptable method of revenue recognition for certain contingent event-based payments under research and development arrangements. Under the milestone method, a payment that is contingent upon the achievement of a substantive milestone is recognized in its entirety in the period in which the milestone is achieved. A milestone is an event (i) that can be achieved based in whole or in part on either the Company s performance or on the occurrence of a specific outcome resulting from the Company s performance, (ii) for which there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved,

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and (iii) that would result in additional payments being due to the Company. The determination that a milestone is substantive is judgmental and is made at the inception of the arrangement. Milestones are considered substantive when the consideration earned from the achievement of the milestone is (i) commensurate with either the Company s performance to achieve the milestone or the enhancement of value of the item delivered as a result of a specific outcome resulting from the Company s performance to achieve the milestone, (ii) relates solely to past performance and (iii) is reasonable relative to all deliverables and payment terms in the arrangement.

Other contingent event-based payments received for which payment is either contingent solely upon the passage of time or the results of a collaborative partner s performance are not considered milestones under ASC 605-28. In accordance with ASC 605-25, such payments will be recognized as revenue when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) price is fixed or determinable, and (iv) collectability is reasonably assured.

Prior to January 1, 2011, the Company recognized and will continue to recognize milestone payments as revenue upon achievement of the milestone, provided the milestone payment was non-refundable, substantive effort and risk were involved in achieving the milestone and the amount of the milestone was reasonable in relation to the effort expended or risk associated with the achievement of the milestone. If these conditions were not met, the Company deferred the milestone payment and recognized it as revenue over the estimated period of performance under the contract as the Company completed its performance obligations. The Company has concluded that all of the future contingent milestone payments pursuant to its research and development arrangements entered into prior to January 1, 2011 are not considered substantive as they are the results of a collaborative partner s performance. Therefore, they are not considered milestones under ASC 605-28.

For collaborations and material modifications entered into after January 1, 2011, the Company accounts for milestone payments under the provisions of ASC 605-28. The Company considers an event to be a milestone if there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved, if the event can only be achieved with the Company s performance, and if the achievement of the event results in payment to the Company. If the Company determines a milestone is substantive, the Company recognizes revenue when payment is earned and becomes payable. For a milestone to be considered substantive, it must be achieved with the Company s performance, be reasonable relative to the terms of the arrangement and be commensurate with the Company s effort to achieve the milestone or commensurate with the enhanced value of the delivered item(s) as a result of the milestone achievement. If the Company determines a milestone is not substantive, the Company defers the payment and recognizes revenue over the estimated period of performance as the Company completes its performance obligations.

Research and development revenues and cost reimbursements are based upon negotiated rates for the Company s full-time employee equivalents (FTE) and actual out-of-pocket costs. FTE rates are negotiated rates that are based upon the Company s costs, and which the Company believes approximate fair value. Any amounts received in advance of performance are recorded as deferred revenue. None of the revenues recognized to date are refundable if the relevant research effort is not successful. In revenue arrangements in which both parties make payments to each other, the Company evaluates the payments in accordance with the accounting guidance for arrangements under which consideration is given by a vendor to a customer, including a reseller of the vendor s products, to determine whether payments made by us will be recognized as a reduction of revenue or as expense. In accordance with this guidance, revenue recognized by the Company may be reduced by payments made to the other party under the arrangement unless the Company receives a separate and identifiable benefit in exchange for the payments and the Company can reasonably estimate the fair value of the benefit received. The application of the accounting guidance for consideration given to a customer has had no material impact to the Company.

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Funds received from third parties under grant arrangements are recorded as revenue if the Company is deemed to be the principal participant in the grant arrangement as the activities under the grant are part of the Company s development program. If the Company is not the principal participant, the grant funds are recorded as a reduction to research and development expense. Grant funds received are not refundable and are recognized when the related qualified research and development costs are incurred and when there is reasonable assurance that the funds will be received. Funds received in advance are recorded as deferred revenue.

Preclinical Studies and Clinical Trial Accruals

A substantial portion of the Company s preclinical studies and all of the Company s clinical trials have been performed by third-party contract research organizations (CROs) and other vendors. For preclinical studies, the significant factors used in estimating accruals include the percentage of work completed to date and contract milestones achieved. For clinical trial expenses, the significant factors used in estimating accruals include the number of patients enrolled, duration of enrollment and percentage of work completed to date. The Company monitors patient enrollment levels and related activities to the extent practicable through internal reviews, correspondence and status meetings with CROs, and review of contractual terms. The Company s estimates are dependent on the timeliness and accuracy of data provided by its CROs and other vendors. If the Company has incomplete or inaccurate data, it may under- or overestimate activity levels associated with various studies or trials at a given point in time. In this event, it could record adjustments to research and development expenses in future periods when the actual activity level becomes known. No material adjustments to preclinical study and clinical trial expenses have been recognized to date.

Research and Development Expenditures

Research and development costs are charged to operations as incurred. Research and development expenses consist primarily of clinical manufacturing costs, preclinical study expenses, consulting and other third party costs, employee compensation, supplies and materials, allocation of overhead and occupancy costs, facilities costs and depreciation of equipment.

Retirement Plan

The Company sponsors a 401(k) defined contribution plan covering all employees. There were no employer contributions to the plan from inception through December 31, 2013. In 2014, employer contributions to the 401(k) plan were $336,000.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

The Company also follows the accounting guidance that defines the threshold for recognizing the benefits of tax return positions in the financial statements as more-likely-than-not to be sustained by the taxing authorities based solely on the technical merits of the position. If the recognition threshold is met, the tax benefit is measured and recognized as the largest amount of tax benefit that, in the Company s judgment, is greater than 50% likely to be realized.

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Comprehensive Loss

The Company follows the accounting standards for the reporting and presentation of comprehensive income (loss) and its components. On January 1, 2012, the Company adopted new accounting guidance and presents comprehensive income (loss) in a continuous statement of comprehensive income (loss) which replaced the statement of operations. Comprehensive loss includes all changes in stockholders equity during a period from non-owner sources. Comprehensive loss for each of the years ended December 31, 2014, 2013, and 2012 was equal to net loss adjusted for unrealized gains and losses on investments.

Segment Reporting

The Company has determined that it operates in only one segment.

Reverse Stock Split

On June 24, 2013, the Company effected a one-for-six reverse stock split of its common stock through an amendment to its amended and restated certificate of incorporation (the COI Amendment). As of the effective time of the reverse stock split, every six shares of the Company s issued and outstanding common stock were converted into one issued and outstanding share of common stock, without any change in par value per share. The reverse stock split affected all shares of the Company s common stock outstanding immediately prior to the effective time of the reverse stock split, as well as the number of shares of common stock available for issuance under the Company s equity incentive plans. In addition, the reverse stock split effected a reduction in the number of shares of common stock issuable upon the conversion of shares of preferred stock or upon the exercise of stock options or warrants outstanding immediately prior to the effectiveness of the reverse stock split. No fractional shares were issued as a result of the reverse stock split. Stockholders who would otherwise have been entitled to receive a fractional share received cash payments in lieu thereof. In addition, the COI Amendment reduced the number of authorized shares of common stock to 81.5 million.

As the par value per share of the Company s common stock remained unchanged at $0.001 per share, a total of $139,000 was reclassified from common stock to additional paid-in capital. All references to shares of common stock and per share data for all periods presented in the accompanying financial statements and notes thereto have been adjusted to reflect the reverse stock split on a retroactive basis.

Stock-Based Compensation

The Company accounts for stock-based payment awards made to employees and directors, including employee stock options and employee stock purchases by measuring the stock-based compensation cost at the grant date based on the calculated fair value of the award, and recognizing expense on a straight-line basis over the employee s requisite service period, generally the vesting period of the award. Stock compensation for non-employees is measured at the fair value of the award for each period until the award is fully vested.

The Company reviews the valuation assumptions at each grant date and, as a result, from time to time it will likely change the valuation assumptions it uses to value stock based awards granted in future periods. The assumptions used in calculating the fair value of share-based payment awards represent management s best estimates at the time, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if conditions change and the management uses different assumptions, the Company s stock-based compensation expense could be materially different in the future. In addition, the Company is required to estimate the expected forfeiture rate and recognize expense only for those shares expected to vest. If the actual forfeiture rate is materially different from management s estimate, stock-based compensation expense could be significantly different from what has been recorded in the current period.

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In July 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU 2013-11 amends accounting guidance on the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or tax credit carryforward exists. This new guidance requires entities, if certain criteria are met, to present an unrecognized tax benefit, or portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward when such items exist in the same taxing jurisdiction. The Company adopted ASU 2013-11 effective January 1, 2014 and the adoption of ASU 2013-11 did not have a material effect on its financial statements.

Accounting Pronouncements Not Yet Adopted

In November 2014, the FASB issued ASU 2014-17, *Business Combinations (Topic 805) Pushdown Accounting (a consensus of the FASB Emerging Issues Task Force).* This guidance provides the option for an acquired entity to apply pushdown accounting in its separately issued financial statements when a change-in-control event occurs. This guidance is effective beginning November 18, 2014, and is applicable to change-in-control events occurring after that date or applied to the most recent change-in-control event if financial statements have not yet been issued. The Company does not expect the adoption of ASU 2014-17 to have a material effect upon its financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern.* ASU 214-15 requires management to assess an entity s ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. ASU 2014-15 is effective for annual and interim reporting periods beginning on or after December 15, 2016 and early adoption is permitted. The Company does not expect the adoption of ASU 2014-15 to have a material effect upon its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*. ASU 2014-09 stipulates that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for annual and interim reporting periods beginning on or after December 15, 2016, and early adoption is not permitted. ASU 2014-09 permits the use of two transition methods, either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. The Company has not yet selected a transition method, and is currently evaluating the impact of the adoption of ASU 2014-09 on its consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. ASU 2014-08 changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. This new guidance is effective for the Company beginning January 1, 2015. The Company does not expect the adoption of ASU 2014-08 to have a material effect upon its financial statements.

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 Net Loss Per Share

Basic net loss per share allocable to common stockholders is computed by dividing net loss allocable to common stockholders by the weighted average number of vested common shares outstanding during the period. Diluted net income loss per share allocable to common stockholders is computed by giving effect to all potentially dilutive common shares, including outstanding stock options, unvested restricted stock, warrants, convertible preferred stock and shares issuable under the Company s Employee Stock Purchase Plan (ESPP), by applying the treasury stock method. The following is the calculation of basic and diluted net loss per share allocable to common stockholders (in thousands except per share data):

	Years Ended December 31,		
	2014	2013	2012
Net loss	$ (14,646)	$ (33,717)	$ (40,370)
Deemed dividend related to beneficial conversion feature of convertible preferred stock			(1,307)
Net loss allocable to common stockholders	$ (14,646)	$ (33,717)	$ (41,677)
Weighted-average shares used in computing net loss per share allocable to common stockholders basic and diluted	35,709	27,275	18,107
Net loss per share allocable to common stockholders basic and diluted	$ (0.41)	$ (1.24)	$ (2.30)

The following instruments were excluded from the computation of diluted net loss per common share allocable to common stockholders for the periods presented because their effect would have been antidilutive (in thousands):

	December 31,		
	2014	2013	2012
Options to purchase common stock	3,298	2,449	1,791
Warrants to purchase common stock	6,691	7,692	9,009
Series B convertible preferred stock (as converted to common stock)			3,838
Restricted stock units	63	42	217
Shares issuable related to the ESPP	15	14	11
Total shares	10,067	10,197	14,866

Note 3 Supplementary Cash Flow Data

Supplemental cash flow information was as follows (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Cash paid for interest	$	$	$ 3
Cash paid for income taxes	1	1	1

Significant non-cash investing and financing activities:			
Purchases of property and equipment through accounts payable	170	193	116
Purchases of property and equipment through accrued liabilities	27	(2)	37
Purchases of property and equipment through trade in value of disposed property and equipment		81	

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4 Cash Equivalents and Investments

Cash Equivalents and Available for Sale Investments

The amortized cost and fair value of cash equivalents and available for sale investments at December 31, 2014 and 2013 were as follows (in thousands):

		December 31, 2014					
		Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Maturity Dates	
Cash equivalents	money market funds	$ 16,932	$	$	$ 16,932		
Short-term investments	U.S. Treasury securities	$ 63,017	$ 3	$ (7)	$ 63,013	1/2015	12/2015
Long-term investments	U.S. Treasury securities	$	$	$	$		

		December 31, 2013					
		Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Maturity Dates	
Cash equivalents	money market funds	$ 15,858	$	$	$ 15,858		
Short-term investments	U.S. Treasury securities	$ 57,564	$ 7	$ (1)	$ 57,570	1/2014	12/2014
Long-term investments	U.S. Treasury securities	$ 2,502	$	$	$ 2,502		1/2015

As of December 31, 2014 and December 31, 2013, the Company s U.S. Treasury securities classified as short-term investments had unrealized losses of approximately $7 and $1, respectively. The net unrealized loss at December 31, 2014 was primarily caused by increases in short-term interest rates subsequent to the purchase dates of the related securities. The net unrealized gain at December 31, 2013 was primarily caused by slight decreases in short-term interest rates subsequent to the purchase dates of the related securities. At December 31, 2014 there were no investments that had been in a continuous unrealized loss position for 12 months or longer. The Company collected the contractual cash flows on its U.S. Treasury securities that matured from January 1, 2015 through February 27, 2015 and expects to be able to collect all contractual cash flows on the remaining maturities of its U.S. Treasury securities.

Interest income was as follows (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Interest income	$ 101	$ 96	$ 83

The Company has revised the previously reported disclosure of interest income for the year ended December 2013. The correction had no effect upon the consolidated statement of comprehensive loss amounts.

96

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5 Fair Value Measurements

The Company adopted the fair value accounting guidance to value its financial assets and liabilities. Fair value is defined as the price that would be received for assets when sold or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilizes market data or assumptions that the Company believes market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable.

The Company primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best information reasonably available. Accordingly, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, and considers the security issuers and the third-party insurers credit risk in its assessment of fair value.

The Company classifies the determined fair value based on the observability of those inputs. Fair value accounting guidance establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three defined levels of the fair value hierarchy are as follows:

Level 1 Observable inputs, such as quoted prices in active markets for identical assets or liabilities;

Level 2 Inputs, other than the quoted prices in active markets, that are observable either directly or through corroboration with observable market data; and

Level 3 Unobservable inputs, for which there is little or no market data for the assets or liabilities, such as internally-developed valuation models.

Financial assets measured at fair value on a recurring basis as of December 31, 2014 and 2013 are classified in the table below in one of the three categories described above (in thousands):

	December 31, 2014			
	Fair Value Measurements Using			Assets
	Level 1	Level 2	Level 3	At Fair Value
Money market funds	$ 16,932	$	$	$ 16,932
U.S. Treasury securities	63,013			63,013
Total	$ 79,945	$	$	$ 79,945
Amounts included in:				
Cash and cash equivalents	$ 16,932	$	$	$ 16,932
Short-term investments	63,013			63,013
Long-term investments				
Total	$ 79,945	$	$	$ 79,945

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	December 31, 2013			
	Fair Value Measurements Using			Assets
	Level 1	Level 2	Level 3	At Fair Value
Money market funds	$ 15,858	$	$	$ 15,858
U.S. Treasury securities	60,072			60,072
Total	$ 75,930	$	$	$ 75,930
Amounts included in:				
Cash and cash equivalents	$ 15,858	$	$	$ 15,858
Short-term investments	57,570			57,570
Long-term investments	2,502			2,502
Total	$ 75,930	$	$	$ 75,930

The valuation technique used to measure fair value for the Company s Level 1 assets is a market approach, using prices and other relevant information generated by market transactions involving identical assets. As of December 31, 2014 and 2013, the Company had no financial assets measured at fair value on a recurring basis using significant Level 2 or Level 3 inputs. The carrying amount of the Company s accounts receivable and accounts payable approximates fair value due to the short-term nature of these instruments.

Note 6 Balance Sheet Components

Property and equipment balances were as follows (in thousands):

	December 31,	
	2014	2013
Property and equipment, net:		
Laboratory equipment	$ 15,299	$ 15,317
Computer equipment and software	2,418	2,549
Office equipment, furniture and fixtures	913	1,050
Leasehold improvements	3,334	3,297
	21,964	22,213
Less: Accumulated depreciation and amortization	(20,327)	(20,992)
	$ 1,637	$ 1,221

Depreciation expense was $0.5 million, $0.4 million and $0.6 million for the years ended December 31, 2014, 2013 and 2012 respectively.

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accrued liabilities were as follows (in thousands):

	December 31, 2014	2013
Accrued liabilities:		
Clinical and preclinical costs	$ 972	$ 4,975
Consulting and professional fees	421	697
Bonus	2,665	1,614
Vacation pay	915	778
Other payroll related	110	93
Other accrued expenses	317	115
	$ 5,400	$ 8,272

Interest receivable on cash equivalents and investments of $109,000 and $215,000 is included in prepaid and other current assets at December 31, 2014 and 2013, respectively.

Note 7 Related Parties and Related Party Transactions

Research and Development Arrangements

Amgen Inc. (Amgen)

In December 2006, the Company entered into a collaboration and option agreement with Amgen to discover, develop and commercialize novel small molecule therapeutics, including omecamtiv mecarbil, that activate cardiac muscle contractility for potential applications in the treatment of heart failure (the Amgen Agreement). The agreement granted Amgen an option to obtain an exclusive license worldwide, except Japan, to develop and commercialize omecamtiv mecarbil and other drug candidates arising from the collaboration. In May 2009, Amgen exercised its option. As a result, Amgen became responsible for the development and commercialization of omecamtiv mecarbil and related compounds at its expense worldwide (excluding Japan), subject to the Company s development and commercialization participation rights. Amgen reimburses the Company for certain research and development activities it performs under the collaboration.

In June 2013, Cytokinetics and Amgen executed an amendment to the Amgen Agreement to include Japan, resulting in a worldwide collaboration (the Amgen Agreement Amendment). Under the terms of the Amgen Agreement Amendment, the Company received a non-refundable upfront license fee of $15.0 million in June 2013. Under the Amgen Agreement Amendment, the Company conducted a Phase I pharmacokinetic study intended to support inclusion of Japan in a potential Phase III clinical development program and potential global registration dossier for omecamtiv mecarbil. Amgen reimbursed the Company for the costs of this study. In addition, the Company is eligible to receive additional pre-commercialization milestone payments relating to the development of omecamtiv mecarbil and royalties on sales of omecamtiv mecarbil in Japan.

In conjunction with the Amgen Agreement Amendment, the Company also entered into a common stock purchase agreement which provided for the sale of 1,404,100 shares of its common stock to Amgen at a price per share of $7.12 and an aggregate purchase price of $10.0 million, which was received in June 2013. The Company determined the fair value of the stock issued to Amgen to be $7.5 million. The excess of cash received over fair value of $2.5 million was initially deferred and allocated between the license and services based on their relative selling prices using best estimate of selling price. The allocated consideration was recognized as revenue as revenue criteria were satisfied, or as services were performed over approximately 12 months. Pursuant to this agreement, Amgen agreed to certain trading and other restrictions with respect to the Company s common stock.

99

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company determined that the license to the Japan territory granted under the Amgen Agreement Amendment was a separate, non-contingent deliverable under the amendment. The Company determined that the license has stand-alone value based on Amgen s internal product development capabilities since all relevant manufacturing know-how related to omecamtiv mecarbil was previously delivered to Amgen.

In October 2013, the Company determined that the revenue recognition requirements under ASC 605-10 had been met and accordingly, recognized $17.2 million in license revenue attributable to the Amgen Agreement Amendment in the fourth quarter of 2013. In year ended December 31, 2014, the Company recognized the remaining $0.3 million of the previously deferred consideration attributable to the Amgen Agreement Amendment as research and development revenues from related parties.

Under the Amgen Agreement, as amended, the Company is eligible for additional development milestone payments which are based on various clinical milestones, including the initiation of certain clinical studies, the submission of a drug candidate to certain regulatory authorities for marketing approval and the receipt of such approvals, and which could total over $350.0 million. Additionally, up to $300.0 million in commercial milestones could be received provided certain sales targets are met. Due to the nature of drug development, including the inherent risk of development and approval of drug candidates by regulatory authorities, it is not possible to estimate if and when these milestone payments could become due. The achievement of each of these milestones is dependent solely upon the results of Amgen s development and commercialization activities and therefore none of these milestones was deemed to be substantive. During the period ended December 31, 2014, zero dollars were recognized for milestones achieved under the Amgen Agreement.

The Amgen Agreement also provides for the Company to receive increased royalties by co-funding Phase III development costs of omecamtiv mecarbil and other drug candidates under the collaboration. If the Company elects to co-fund such costs, it would be entitled to co-promote the co-funded drug in North America and participate in agreed commercialization activities in institutional care settings, at Amgen s expense.

Pursuant to the Amgen Agreement, the Company has recognized research and development revenue from Amgen for reimbursements of internal costs of certain full-time employee equivalents, supporting a collaborative research program directed to the discovery of next-generation cardiac sarcomere activator compounds and of other costs related to that research program. These reimbursements were recorded as research and development revenues from related parties.

Revenue from Amgen was as follows (in thousands):

	Years Ended December 31,		
	2014	2013	2012
License revenues from related parties	$	$ 17,230	$
Research and development revenues from related parties:			
Reimbursement of internal costs	4,260	2,019	4,174
Reimbursement of other costs			3
Allocated consideration	278		
Total revenues from Amgen	$ 4,538	$ 19,249	$ 4,177

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Astellas Pharma Inc. (Astellas)

Original Astellas Agreement (Non-neuromuscular license)

In June 2013, the Company entered into a license and collaboration agreement with Astellas (the Original Astellas Agreement). The primary objective of the collaboration with Astellas is to advance novel therapies for diseases and medical conditions associated with muscle weakness.

Under the Original Astellas Agreement, the Company granted Astellas an exclusive license to co-develop and jointly commercialize CK-2127107, a fast skeletal troponin activator, for potential application in non-neuromuscular indications worldwide. The Company was primarily responsible for the conduct of Phase I clinical trials and certain Phase II readiness activities for CK-2127107 and Astellas was primarily responsible for the conduct of subsequent development and commercialization activities for CK-2127107.

In July 2013, the Company received an upfront, non-refundable license fee of $16.0 million in connection with the execution of the Original Astellas Agreement. Under the agreement, the Company was eligible to potentially receive approximately $25.5 million in reimbursement of sponsored research and development activities during the initial two years of the collaboration. The agreement also provided for research and early and late stage development milestone payments based on various research and clinical milestones, including the initiation of certain clinical studies, the submission for approval of a drug candidate to certain regulatory authorities for marketing approval and the commercial launch of collaboration products, and royalties on sales of commercialized products.

At the inception of the Original Astellas Agreement, the Company deferred revenue related to the Original Astellas Agreement in accordance with ASC 605-25. The Company evaluated whether the delivered elements under the arrangement have value on a stand-alone basis. Upfront, non-refundable licensing payments are assessed to determine whether or not the licensee is able to obtain stand-alone value from the license. Where this is not the case, the Company does not consider the license deliverable to be a separate unit of accounting, and the revenue for the license fee is deferred and recognized in conjunction with the other deliverables that constitute the combined unit of accounting.

The Company determined that the license and the research and development services are a single unit of accounting as the license was determined to not have stand-alone value. Accordingly, the Company is recognizing this revenue using the proportional performance model over the initial research term of the Original Astellas Agreement. During the year ended December 31, 2014, the Company recorded $9.8 million in license revenue based on the proportional performance model. As of December 31, 2014, the Company has recognized $13.7 million of the $16.0 million upfront license fee as license revenue, and has $2.3 million of deferred license revenue under the Original Astellas Agreement.

Pursuant to the Original Astellas Agreement, the Company has recognized research and development revenue from Astellas for reimbursements of internal costs of certain full-time employee equivalents, supporting collaborative research and development programs, and of other costs related to those programs. During the year ended December 31, 2014, the Company recorded research and development revenue from Astellas of $8.9 million related to the reimbursement of internal costs and $6.5 million related to the reimbursement of other costs.

Amended Astellas Agreement (Expansion to include neuromuscular indications)

On December 22, 2014, the Company entered into an amended and restated license and collaboration agreement with Astellas (the Amended Astellas Agreement). This agreement superseded the Original Astellas

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Agreement. The Amended Astellas Agreement expanded the objective of the collaboration of advancing novel therapies for diseases and medical conditions associated with muscle weakness to include SMA and potentially other neuromuscular indications, in addition to the non-neuromuscular indications provided for in the Original Astellas Agreement. Under the terms of the Amended Astellas Agreement, we received a non-refundable upfront license fee of $30.0 million in January 2015. Concurrently, the Company received $15.0 million as a milestone payment relating to Astellas decision to advance CK-2127107 into Phase II clinical development. The Company is also eligible to potentially receive over $20.0 million in reimbursement of sponsored research and development activities during the next two years of the collaboration. Under the Amended Astellas Agreement, the Company plans to conduct the initial Phase II clinical trial of CK-2127107 in patients with SMA. In addition, the Company is entitled to receive additional pre-commercialization milestone payments related to the development of CK-2127107 in neuromuscular indications, and royalties on sales of CK-2127107 in neuromuscular indications.

The Company determined that the license and the research and development services relating to the Amended Astellas Agreement are a single unit of accounting as the license was determined to not have stand-alone value. Accordingly, the Company is recognizing this revenue over the initial research term of the Amended Astellas Agreement using the proportional performance model. As of December 31, 2014, the Company has recognized zero of the $30.0 million upfront license fee as license revenue and deferred the entire amount.

The Company believes that each of the milestones related to research and early development under the Amended Astellas Agreement is substantive and can only be achieved with the Company s past and current performance and each milestone will result in additional payments to the Company. During the period ended December 31, 2014, $17.0 million was recognized as milestone revenue for early development under this agreement. The Company is eligible to receive up to $2.0 million in research milestone payments for each future collaboration product candidate.

The achievement of each of the late stage development milestones and the commercialization milestones are dependent solely upon the results of Astellas development activities and therefore these milestones were not deemed to be substantive.

Under the Amended Astellas Agreement, additional research and early and late state development milestone payments which are based on various research and clinical milestones, including the initiation of certain clinical studies, the submission for approval of a drug candidate to certain regulatory authorities for marketing approval and the commercial launch of collaboration products could total over $600.0 million, including up to $95.0 million relating to CK-2127107 in non-neuromuscular indications, and over $100.0 million related to CK-2127107 in each of SMA and other neuromuscular indications. Additionally, $200.0 million in commercial milestones could be received under the Amended Astellas Agreement provided certain sales targets are met. Due to the nature of drug development, including the inherent risk of development and approval of drug candidates by regulatory authorities, it is not possible to estimate if and when these milestone payments could become due.

In the event Astellas commercializes any collaboration products, the Company will receive royalties on sales of such collaboration products, including royalties ranging from the high single digits to the high teens on sales of products containing CK-2127107. Cytokinetics also holds an option to co-fund certain development costs for CK-2127107 and other compounds in exchange for increased milestone payments and royalties; such royalties may increase under certain scenarios to exceed twenty percent. Under the Amended Astellas Agreement, Cytokinetics retains an option to co-promote collaboration products containing fast skeletal muscle activators for neuromuscular indications in the U.S., Canada and Europe, in addition to its option to co-promote other collaboration products in the U.S. and Canada as provided for in the Original Astellas Agreement. Astellas will reimburse Cytokinetics for certain expenses associated with its co-promotion activities. The Amended

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Astellas Agreement also provides for Cytokinetics to lead certain activities relating to the commercialization of collaboration products for neuromuscular indications in the U.S., Canada and Europe under particular scenarios.

In conjunction with the Amended Astellas Agreement, the Company also entered into a common stock purchase agreement which provided for the sale of 2,040,816 shares of its common stock to Astellas at a price per share of $4.90 and an aggregate purchase price of $10.0 million which was received in December 2014. Pursuant to this agreement, Astellas agreed to certain trading and other restrictions with respect to the Company s common stock. The Company determined the fair value of the stock issued to Astellas to be $9.1 million. The excess of cash received over fair value of $0.9 million was deferred along with the license and research and development services. Allocated consideration will be recognized as revenue for the single unit of accounting above, as services are performed following the proportional performance model over the initial research term of the Amended Astellas Agreement.

Following the common stock purchase, Astellas was determined to be a related party. As such, all revenue earned following the common stock purchase will be classified as related party revenue.

Research and development revenue from Astellas was as follows (in thousands):

	Year Ended December 31, 2014	Year Ended December 31, 2013
Research and development revenues with related parties:		
Research and development milestone fees	$ 15,000	
Research and development revenues:		
Reimbursement of internal costs	8,939	3,285
Reimbursement of other costs	6,452	3,130
Research and development milestone fees	2,000	
Total research and development revenue from Astellas	$ 32,391	$ 6,415

At December 31, 2014, the Company had $33.6 million of deferred revenue under the Amended Astellas Agreement, reflecting the unrecognized portion of the license revenue and prepayment on expenses expected to be incurred in the first quarter of 2015.

Note 8 Other Research and Development Revenue Arrangements

Grants

In 2010, the National Institute of Neurological Disorders and Strokes (NINDS) awarded to the Company a $2.8 million grant to support research and development of tirasemtiv directed to the potential treatment for myasthenia gravis for a period of up to three years. In September 2012, the NINDS awarded to us an additional $0.5 million under a separate grant. Management determined that the Company was the principal participant in the grant arrangements, and, accordingly, the Company recorded amounts earned under the arrangements as revenue. The grants were completed in June 2013.

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Total grant revenues were as follows (in thousands):

	Years Ended December 31,		
	2014	2013	2012
NINDS myasthenia gravis	$	$ 69	$ 1,308
Other grant revenue	75	25	
Total grant revenue	$ 75	$ 94	$ 1,308

Global Blood Therapeutics, Inc. (Global Blood)

In October 2011, the Company entered into a collaboration agreement with Global Blood Therapeutics, Inc. (formerly called Global Blood Targeting, Inc.) (Global Blood). Under an agreed research plan, scientists from Global Blood and our FTEs conducted research focused on small molecule therapeutics that target the blood. The Company provided to Global Blood access to certain research facilities, FTEs and other resources at agreed reimbursement rates that approximated our costs. In April 2012, the Company extended this agreement through December 2012. The Company was the primary obligor in the collaboration arrangement, and accordingly, the Company recorded expense reimbursements from Global Blood as research and development revenue.

Research and development revenue from Global Blood was as follows (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Expense reimbursements from Global Blood	$	$ 14	$ 1,479

MyoKardia, Inc.

In August 2012, the Company entered into a collaboration agreement with MyoKardia, Inc. Under an agreed research plan, scientists from MyoKardia and our FTEs conduct research focused on small molecule therapeutics that inhibit cardiac sarcomere proteins. The Company provided to MyoKardia access to certain research facilities, and continues to provide FTEs and other resources at agreed reimbursement rates that approximate our costs. The Company is the primary obligor in the collaboration arrangement, and accordingly, the Company records expense reimbursements from MyoKardia as research and development revenue. The research plan terminated as planned in August 2013.

Research and development revenue from MyoKardia was as follows (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Research and development milestone fees	$ 100	$	$
Expense reimbursements from MyoKardia		1,024	595
Research and development revenue from Myokardia	$ 100	$ 1,024	$ 595

Note 9 Debt

In April 2006, the Company entered into an equipment financing agreement with GE Capital. As of December 31, 2011, the balance of equipment loans outstanding under this line was $152,000. The Company

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

repaid the remaining outstanding equipment financing debt in March 2012 and no further funds are available under this line of credit.

Interest Expense

Total interest expense incurred by the Company was as follows (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Interest expense	$	$	$ 3

Note 10 Commitments and Contingencies

Commitments

The Company leases office space and equipment under a non-cancelable operating lease that expires in 2018, with an option to extend the lease for an additional three-year period. The lease terms provide for rental payments on a graduated scale and the Company s payment of certain operating expenses. The Company recognizes rent expense on a straight-line basis over the lease period.

Rent expense was as follows (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Rent expense	$ 3,338	$ 3,306	$ 3,375

As of December 31, 2014, future minimum lease payments under noncancelable operating leases were as follows (in thousands):

2015	$ 3,390
2016	3,504
2017	3,626
2018	1,860
2019	
Thereafter	
Total	$ 12,380

Contingencies

In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to vendors, lessors, business partners and other parties with respect to certain matters, including, but not limited to, losses arising out of the Company s breach of such agreements, services to be provided by or on behalf of the Company, or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with its directors and certain of its officers and employees that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or

employees. The Company maintains director and officer insurance, which may cover certain liabilities arising from its obligation to indemnify its directors and certain of its officers and employees, and former officers and directors in certain circumstances. The Company maintains product liability insurance and comprehensive general liability insurance, which may cover certain liabilities

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

arising from its indemnification obligations. It is not possible to determine the maximum potential amount of exposure under these indemnification obligations due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular indemnification obligation. Such indemnification obligations may not be subject to maximum loss clauses. Management is not currently aware of any matters that could have a material adverse effect on the financial position, results of operations or cash flows of the Company.

In December 2014, the Company filed a lawsuit alleging fraudulent inducement, breach of contract and negligence on the part of a data management vendor for a clinical trial. The Company is seeking monetary damages. As this is a contingency that may result in a gain, no provision has been made in the financial statements.

Note 11 Convertible Preferred Stock

As of December 31, 2010 there were 10,000,000 shares of preferred stock authorized and no shares outstanding.

On April 18, 2011, the Company entered into a securities purchase agreement (the Deerfield Agreement) with Deerfield Private Design Fund II, L.P., Deerfield Private Design International II, L.P., Deerfield Special Situations Fund, L.P., and Deerfield Special Situations Fund International Limited (collectively, Deerfield). On April 20, 2011, pursuant to the Deerfield Agreement, the Company issued to Deerfield 8,070 shares of Series A convertible preferred stock (the Series A Preferred Stock) for a purchase price of $1,500.00 per share for net proceeds of approximately $9.3 million, as well as common stock and warrants that are discussed in Note 12 Stockholders Equity.

The fair value of the common stock into which the Series A Preferred Stock was convertible exceeded the allocated purchase price of the Series A Preferred Stock by $2.9 million on the date of issuance, resulting in a beneficial conversion feature. The Company recognized the beneficial conversion feature as a one-time, non-cash, deemed dividend to the holders of Series A Preferred Stock on the date of issuance, which is the date the stock first became convertible.

On September 26, 2012, all 8,070 shares of Series A Preferred Stock were converted into 1,345,000 shares of our common stock. The conversion was in accordance with the terms of the agreement with Deerfield under which the Series A Preferred Stock was issued in 2011.

On June 20, 2012, the Company entered into underwriting agreements for two separate, concurrent public offerings of the Company s securities (the June 2012 Public Offerings). On June 25, 2012, pursuant to the underwriting agreements, in aggregate the Company issued to certain investors 23,026 shares of Series B convertible preferred stock (the Series B Preferred Stock) for a purchase price of $760.00 per share, for net proceeds of approximately $12.3 million.

Each share of Series B Preferred Stock was convertible into common stock at any time at the holder s option. However, the holder was prohibited from converting the Series B Preferred Stock into shares of common stock if, as a result of such conversion, the holder and its affiliates would own more than 9.98% of the total number of shares of common stock then issued and outstanding. In the event of the Company s liquidation, dissolution, or winding up, holders of Series B Preferred Stock would receive a payment equal to $0.001 per share before any proceeds are distributed to the common stockholders. Shares of Series B Preferred Stock generally have no voting rights, except as required by law and except that the consent of holders of a majority of the outstanding Series B Preferred Stock is required to amend the terms of the Series B Preferred Stock. Holders of Series B Preferred Stock were not entitled to receive any dividends, unless and until specifically declared by

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the Company s board of directors. The Series B Preferred Stock ranked senior to the Company s common stock as to distributions of assets upon the Company s liquidation, dissolution or winding up, whether voluntarily or involuntarily. The Series B Preferred Stock may have ranked senior to, on parity with or junior to any class or series of the Company s capital stock created in the future depending upon the specific terms of such future stock issuance. As a result of the one-for-six reverse stock split effected in June 2013, the conversion ratio for Series B convertible preferred stock changed from 1,000 shares of common stock per share of Series B convertible preferred stock to 166.67 shares of common stock per share of Series B convertible preferred stock.

The fair value of the common stock into which the Series B Preferred Stock is convertible exceeded the allocated purchase price of the Series B Preferred Stock by $1.3 million on the date of issuance, resulting in a beneficial conversion feature. The Company recognized the beneficial conversion feature as a one-time, non-cash, deemed dividend to the holders of Series B Preferred Stock on the date of issuance, which is the date the stock first became convertible.

In the first quarter of 2013, 4,000 shares of Series B convertible preferred stock were converted into 666,667 shares of common stock. In the second quarter of 2013, 15,026 shares of Series B convertible preferred stock were converted into 2,504,334 shares of common stock. On July 2, 2013, 4,000 shares of Series B convertible preferred stock, which represented all remaining shares of Series B convertible preferred stock, were converted into 666,681 shares of common stock. The conversions were in accordance with the terms of the original agreement under which the Series B convertible preferred stock was issued in 2012.

As of December 31, 2014 there were 10,000,000 shares of preferred stock authorized and no shares outstanding.

Note 12 Stockholders Equity

Accumulated Other Comprehensive Loss

In 2014, the Company reclassified insignificant amounts of unrealized gains (losses) in investments out of accumulated other comprehensive income into net loss.

Authorized Shares

On May 18, 2011, the stockholders approved an increase in the number of authorized shares of common stock from 170,000,000 to 245,000,000. The increase became effective in August 2011, when the Company filed the Certificate of Amendment of Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware. In June 2013, upon the stockholder approval of the one-for-six reverse stock split and the amendment to the Company s amended and restated certificate of incorporation, the number of authorized shares of common stock was reduced to 81,500,000 (See Note 1).

Common Stock Outstanding

On April 20, 2011, pursuant to the Deerfield Agreement, the Company issued to Deerfield (i) 883,333 shares of common stock for a purchase price of $9.00 per share, (ii) 8,070 shares of Series A Preferred Stock for a purchase price of $1,500.00 per share, and (iii) warrants to purchase 1,114,168 shares of the Company s common stock at an initial exercise price of $9.90 per share, for aggregate gross proceeds of approximately $20.1 million. After issuance costs of approximately $0.2 million, the net proceeds were approximately $19.9 million.

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The offering was made pursuant to a shelf registration statement that the Company filed with the SEC on November 10, 2008, which became effective on November 19, 2008 (File No. 333-155259). The closing of the offering took place on April 20, 2011.

In accordance with the accounting guidance for valuing stock and warrants when preferred stock, common stock and warrants are issued in a single transaction and all are to be accounted for as equity, the Company allocated the gross purchase proceeds using the relative fair value method. The fair value of the common stock issued to Deerfield was calculated based on the closing price of the stock on the commitment date as quoted on The NASDAQ Global Market. The Series A Preferred Stock was valued based on the fair value of the Company s common stock on the commitment date times the conversion ratio of one share of preferred to one thousand shares of common stock. The fair value of the Series A Preferred Stock was determined to be essentially equivalent to the fair value of the common stock into which it is convertible, based on the preferred holders ability to immediately convert the Series A Preferred Stock to common stock and the fact that the liquidation preference of the Series A Preferred Stock is only $0.001 per share. The fair value of the warrants was determined using the Black-Scholes pricing model, as discussed above. The relative fair value ratio of each of the instruments issued was then applied to the total gross proceeds of $20.1 million, resulting in allocated purchase prices of $6.2 million for the common stock, $9.4 million for the Series A Preferred Stock and $4.5 million for the warrants.

On September 26, 2012, all 8,070 shares of Series A Convertible Preferred Stock were converted into 1,345,000 shares of our common stock. The conversion was in accordance with the terms of the original agreement under which the Series A Convertible Preferred Stock was issued in 2011.

In June 2011, the Company entered into an At-The-Market Issuance Sales Agreement (the MLV Agreement) with McNicoll, Lewis & Vlak LLC (MLV), pursuant to which the Company sold, through December 31, 2014, 2,397,278 shares of common stock through MLV for net proceeds of approximately $15.2 million.

On June 25, 2012, pursuant to the June 2012 Public Offerings, in aggregate the Company issued to various investors (i) 9,320,176 shares of common stock for a purchase price of $4.56 per share, (ii) 23,026 shares of the Series B Preferred Stock for a purchase price of $760.00 per share, and (iii) warrants to purchase 7,894,704 shares of the Company s common stock at an exercise price of $5.28 per share, for aggregate gross proceeds of approximately $60.0 million. After issuance costs of approximately $4.0 million, the net proceeds from the June 2012 Public Offerings were approximately $56.0 million.

The offerings were made pursuant to a shelf registration statement that the Company filed with the SEC on November 25, 2011, which became effective on December 8, 2011 (File No. 333-178189) and a supplemental shelf registration statement on Form S-3MEF that the Company filed with the SEC on June 20, 2012, which became effective on June 20, 2012 (File No. 333-182226). The closing of the offerings took place on June 25, 2012.

In accordance with the accounting guidance for valuing stock and warrants when stock is issued in conjunction with other securities, and the stock and other securities are to be accounted for as equity, the Company allocated the gross purchase proceeds using the relative fair value method. For accounting purposes, the June 2012 Public Offerings were considered to be one transaction. The fair value of the common stock issued in the June 2012 Public Offerings was calculated based on the closing price of the stock on the commitment date as quoted on The NASDAQ Global Market. The Series B Preferred Stock was valued based on the fair value of the Company s common stock on the commitment date times the conversion ratio of one share of preferred stock to one thousand shares of common stock. The fair value of the Series B Preferred Stock was determined to be

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

essentially equivalent to the fair value of the common stock into which it is convertible, based on the preferred holders ability to immediately convert the Series B Preferred Stock to common stock and the fact that the liquidation preference of the Series B Preferred Stock is only $0.001 per share. The fair value of the warrants was determined using the Black-Scholes pricing model, as discussed above. The relative fair value ratio of each of the instruments issued was then applied to the total gross proceeds of $60.0 million, resulting in allocated purchase prices of $32.1 million for the common stock, $13.2 million for the Series B Preferred Stock, and $14.7 million for the warrants.

In conjunction with the Amgen Agreement Amendment (see Note 7), in June 2013, Amgen purchased 1,404,100 shares of the Company s common stock at a price per share of $7.12 and an aggregate purchase price of $10.0 million, which was received in June 2013. Under the terms of this agreement, Amgen agreed to certain trading and other restrictions with respect to the Company s common stock. The Company determined the fair value of the stock issued to Amgen to be $7.5 million. The excess of cash received over fair value of $2.5 million was deferred and is being allocated between the license and services based on their relative selling prices using best estimate of selling price.

In February 2014, the Company closed an underwritten public offering for the issuance and sale of 5,031,250 shares of its common stock. The gross public offering proceeds were approximately $40.3 million. The net proceeds from the sale of the shares were approximately $37.5 million, after deducting the underwriting discount and offering expenses.

In December 2014, the Company also entered into a common stock purchase agreement which provided for the sale of 2,040,816 shares of its common stock to Astellas at a price per share of $4.90 and an aggregate purchase price of $10.0 million, which was received in December 2014.

Warrants

On April 20, 2011, pursuant to the Deerfield Agreement, the Company issued to Deerfield warrants to purchase 1,114,168 shares of the Company s common stock at an initial exercise price of $9.90 per share, for aggregate gross proceeds of approximately $4.5 million. After issuance costs of approximately $0.1 million, the net proceeds were approximately $4.4 million. The warrants issued to Deerfield became exercisable on October 20, 2011 and will remain exercisable until April 20, 2015. The warrant holders are prohibited from exercising the warrants and obtaining shares of common stock if, as a result of such exercise, the holder and its affiliates would own more than 9.98% of the total number of shares of the Company s common stock then issued and outstanding. The Company valued the warrants as of the date of issuance at $5.8 million using the Black-Scholes option pricing model and the following assumptions: a contractual term of four years, a risk-free interest rate of 1.66%, volatility of 80%, and the fair value of the Company s common stock on the issuance date of $9.12 ($1.52 before adjustment for the Company s 2013 reverse stock split, see Note 1).

On June 25, 2012, pursuant to the June 2012 Public Offerings, the Company issued warrants to purchase 7,894,704 shares of the Company s common stock at an exercise price of $5.28 per share, for an aggregate gross proceeds of approximately $14.7 million. The warrant holders are prohibited from exercising the warrants and obtaining shares of common stock if, as a result of such exercise, the holder and its affiliates would own more than 9.98% of the total number of shares of the Company s common stock then issued and outstanding. The Company valued the warrants as of the date of issuance at $16.2 million using the Black-Scholes option pricing model and the following assumptions: a contractual term of five years, a risk-free interest rate of 0.73%, volatility of 76%, and the fair value of the Company s common stock on the issuance date of $3.78 ($0.63 before adjustment for the Company s 2013 reverse stock split, see Note 1).

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In February 2013, warrants to purchase 1,000 shares of the Company s common stock at an exercise price of $5.28 per share were cash exercised in accordance with the June 2012 Public Offerings underwriting agreements.

In April 2013, the Company issued 358,460 shares of common stock related to cashless exercises of warrants in accordance with the June 2012 Public Offerings.

Outstanding warrants as of December 31, 2014 were as follows:

	Number of Shares	Exercise Price	Expiration Date
Issued 4/20/2011	1,114,168	$ 9.90	04/20/15
Issued 6/25/2012	5,576,928	$ 5.28	06/25/17

Stock Option Plans

2004 Plan

In January 2004, the Board of Directors adopted the 2004 Equity Incentive Plan (the 2004 Plan), which was approved by the stockholders in February 2004. The 2004 Plan provides for the granting of incentive stock options, nonstatutory stock options, restricted stock, stock appreciation rights, stock performance units and stock performance shares to employees, directors and consultants. Under the 2004 Plan, options may be granted at prices not lower than 100% of the fair market value of the common stock on the date of grant for nonstatutory stock options and incentive stock options and may be granted for terms of up to ten years from the date of grant. Options granted to new employees generally vest 25% after one year and monthly thereafter over a period of four years. Options granted to existing employees generally vest monthly over a period of four years. At the May 2013 Annual Meeting of Stockholders, the number of shares of common stock authorized for issuance under the 2004 Plan was increased by 2,000,000. As of December 31, 2014, there were 1,270,478 shares of common stock reserved for issuance under the 2004 Plan.

1997 Plan

In 1997, the Company adopted the 1997 Stock Option/Stock Issuance Plan (the 1997 Plan). The Plan provides for the granting of stock options to employees and consultants of the Company. Options granted under the 1997 Plan may be either incentive stock options or nonstatutory stock options. Incentive stock options may be granted only to Company employees (including officers and directors who are also employees). Nonstatutory stock options may be granted to Company employees and consultants. Options under the Plan may be granted for terms of up to ten years from the date of grant as determined by the Board of Directors, provided, however, that (i) the exercise price of an incentive stock option and nonstatutory stock option shall not be less than 100% and 85% of the estimated fair market value of the shares on the date of grant, respectively, and (ii) with respect to any 10% stockholder, the exercise price of an incentive stock option or nonstatutory stock option shall not be less than 110% of the estimated fair market value of the shares on the date of grant and the term of the grant shall not exceed five years. Options may be exercisable immediately and are subject to repurchase options held by the Company which lapse over a maximum period of ten years at such times and under such conditions as determined by the Board of Directors. Options granted under the 1997 Plan generally vested over four or five years (generally 25% after one year and monthly thereafter). As of December 31, 2014, the Company had reserved no shares of common stock for issuance related to options outstanding under the 1997 Plan, and there were no shares available for future grants under the 1997 Plan.

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Activity under the two stock option plans was as follows:

	Shares Available for Grant of Option or Award	Stock Options Outstanding	Weighted Average Exercise Price per Share - Stock Options	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Balance at December 31, 2011	585,476	1,598,408	21.93		
Increase in authorized shares	416,667				
Options granted	(403,108)	403,108	6.14		
Options forfeited/expired	210,989	(210,989)	17.00		
Restricted stock units forfeited	68,702				
Balance at December 31, 2012	878,726	1,790,527	18.96		
Increase in authorized shares	2,000,000				
Options granted	(797,629)	797,629	5.95		
Restricted stock units granted	(41,661)				
Options exercised		(21,397)	5.32		
Options forfeited/expired	117,394	(117,394)	12.55		
Restricted stock units forfeited	4,999				
Balance at December 31, 2013	2,161,829	2,449,365	$ 15.15		
Options granted	(944,831)	944,831	8.80		
Restricted stock units granted	(43,500)				
Options exercised		(390)	6.00		
Options forfeited/expired	95,980	(95,980)	39.74		
Restricted stock units forfeited	1,000				
Balance at December 31, 2014	1,270,478	3,297,826	$ 12.62	6.79	$ 2,657
Exercisable at December 31, 2014		2,140,754	$ 15.17	5.76	$ 1,553
Vested and expected to vest as of December 31, 2014		3,277,489	$ 12.64	6.78	$ 2,642

Total intrinsic value of stock options exercised was $1,000, $107,000, and zero during the years ended December 31, 2014, 2013 and 2012, respectively. The intrinsic value is calculated as the difference between the market value as of December 31, 2014 and the exercise price of shares. The market value as of December 31, 2014 was $8.01 per share as reported by NASDAQ. The weighted average grant date fair value of stock options granted was $6.01, $3.85 and $3.89 per share during the years ended December 31, 2014, 2013 and 2012, respectively.

The number of option shares vested was 601,647, 457,465 and 348,693 in 2014, 2013 and 2012, respectively. The grant date fair value of option shares vested was $3.0 million, $2.3 million and $2.4 million in 2014, 2013 and 2012, respectively. The Company has revised the previously reported disclosures of option shares vested and grant date fair value of option shares vested for the years ended December 31, 2013 and December 31, 2012. The corrections had no effect upon the statements of comprehensive loss amounts.

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Restricted stock unit activity was as follows:

	Number of Shares	Weighted Average Award Date Fair Value per Share
Restricted stock units outstanding at December 31, 2011	517,535	$ 6.78
Restricted stock units vested	(231,935)	6.78
Restricted stock units forfeited	(68,702)	6.78
Restricted stock units outstanding at December 31, 2012	216,898	6.78
Restricted stock units granted	41,661	6.00
Restricted stock units vested	(211,897)	6.78
Restricted stock units forfeited	(4,999)	6.78
Unvested restricted stock units outstanding at December 31, 2013	41,663	6.00
Restricted stock units granted	43,500	9.65
Restricted stock units vested	(20,833)	6.00
Restricted stock units forfeited	(1,000)	6.00
Unvested restricted stock units outstanding at December 31, 2014	63,330	$ 8.51

The grant date fair value of restricted stock units vested during the years ended December 31, 2014, 2013 and 2012 was $0.1 million, $1.4 million and $1.6 million, respectively. The Company measures compensation expense for restricted stock units at fair value on the grant date and recognizes the expense over the expected vesting period. The fair value for restricted stock units is based on the closing price of the Company s common stock on the grant date. Unvested restricted stock awards are subject to repurchase at no cost to the Company.

Stock-Based Compensation

The Company applies the accounting guidance for stock compensation, which establishes accounting for share-based payment awards made to employees, non-employees and directors, including employee stock options and employee stock purchases. Under this guidance, stock-based compensation cost is measured at the grant date based on the calculated fair value of the award, and is recognized as an expense on a straight-line basis over the employee s requisite service period, generally the vesting period of the award.

The following table summarizes stock-based compensation related to stock options, restricted stock awards, restricted stock unit, and employee stock purchases (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Research and development	$ 1,361	$ 1,538	$ 1,801
General and administrative	1,969	2,059	1,982
Stock-based compensation included in operating expenses	$ 3,330	$ 3,597	$ 3,783

Employee Stock-Based Compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of stock option grants to employees and directors and employee stock purchase plan shares. The key input assumptions used to estimate fair value of these awards include the exercise price of the award, the expected option term, the expected volatility of the Company s stock over the option s expected term, the risk-free interest rate over the option s expected term, and the Company s expected dividend yield, if any.

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The fair value of share-based payments was estimated on the date of grant using the Black-Scholes option pricing model based on the following weighted average assumptions:

	Year Ended December 31, 2014		Year Ended December 31, 2013		Year Ended December 31, 2012	
	Employee Stock Options	ESPP	Employee Stock Options	ESPP	Employee Stock Options	ESPP
Risk-free interest rate	1.9%	0.2%	1.1%	0.2%	1.1%	0.2%
Volatility	77.1%	86.0%	73.2%	74.6%	71.1%	72.0%
Expected term in years	6.30	1.25	6.20	1.25	6.13	1.25
Expected dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

The risk-free interest rate that the Company uses in the option pricing model is based on the U.S. Treasury zero-coupon issues with remaining terms similar to the expected terms of the options. The Company does not anticipate paying dividends in the foreseeable future and therefore uses an expected dividend yield of zero in the option pricing model. The Company is required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. Historical data is used to estimate pre-vesting option forfeitures and record stock-based compensation expense only on those awards that are expected to vest.

The Company uses its own historical exercise activity and extrapolates the life cycle of options outstanding to arrive at its estimated expected term for new option grants. The Company uses its own volatility history based on its stock s trading history for the period subsequent to the Company s initial public offering in April 2004. The Company measures compensation expense for awards of restricted stock and restricted stock units at fair value on the date of grant and recognizes the expense over the expected vesting period. The fair value for restricted stock and restricted stock unit awards is based on the closing price of the Company s common stock on the date of grant.

As of December 31, 2014, there was $5.7 million of unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted-average period of 2.52 years and $0.3 million of unrecognized compensation cost related to unvested restricted stock units, which is expected to be recognized over a weighted-average period of 0.83 years.

Non-employee Stock-Based Compensation

The Company records stock option grants to non-employees, excluding directors, at their fair value on the measurement date. The measurement of stock-based compensation is subject to adjustment as the underlying equity instruments vest.

There were no stock option grants to non-employees in the years ended December 31, 2014, 2013 or 2012. When terminating, if employees continue to provide service to the Company as consultants and their grants are permitted to continue to vest, the expense associated with the continued vesting of the related stock options is classified as non-employee stock compensation expense after the status change.

In connection with services rendered by non-employees, the Company recorded stock-based compensation expense of $50,000, $104,000, and $56,000 in 2014, 2013 and 2012, respectively.

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ESPP

In January 2004, the Board of Directors adopted the ESPP, which was approved by the stockholders in February 2004. Under the ESPP, statutory employees may purchase common stock of the Company up to a specified maximum amount through payroll deductions. The stock is purchased semi-annually at a price equal to 85% of the fair market value at certain plan-defined dates. The Company issued 19,726, 14,985 and 15,010 shares of common stock during 2014, 2013 and 2012, respectively, pursuant to the ESPP at an average price of $3.38, $3.66 and $4.32 per share, in 2014, 2013 and 2012, respectively. At December 31, 2014 the Company had 170,170 shares of common stock reserved for issuance under the ESPP.

Note 13 Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce the deferred tax assets to the amounts expected to be realized. The Company did not record an income tax provision in the years ended December 31, 2014, 2013, or 2012 because the Company had a net taxable loss in the period.

For financial statement purposes, loss before taxes includes the following components (in thousands):

	Years Ended December 31,		
	2014	2013	2012
United States	$ (14,646)	$ (33,717)	$ (40,370)
Foreign			
Total	$ (14,646)	$ (33,717)	$ (40,370)

The Company recorded the following income tax provision as follows (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Current:			
Federal	$	$	$
State			
Total	$	$	$
Deferred:			
Federal	$	$	$
State			
Total	$	$	$

114

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company s deferred tax assets and liabilities were as follows (in thousands):

	As of December 31,		
	2014	2013	2012
Deferred tax assets:			
Depreciation and amortization	$ 780	$ 918	$ 1,024
Capitalized R&D	15,176	20,702	4,932
Reserves and accruals	6,217	4,946	5,101
Net operating losses	148,184	144,254	153,193
Tax credits	34,543	33,043	25,943
Total deferred tax assets	204,900	203,863	190,193
Less: Valuation allowance	(204,900)	(203,863)	(190,193)
Net deferred tax assets	$	$	$

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Based upon the weight of available evidence, which includes the Company s historical operating performance, reported cumulative net losses since inception and difficulty in accurately forecasting the Company s future results, the Company maintained a full valuation allowance on the net deferred tax assets as of December 31, 2014, 2013 and 2013. The valuation allowance was determined pursuant to the accounting guidance for income taxes, which requires an assessment of both positive and negative evidence when determining whether it is more likely than not that deferred tax assets are recoverable. The Company intends to maintain a full valuation allowance on the U.S. deferred tax assets until sufficient positive evidence exists to support reversal of the valuation allowance. The valuation allowance increased by $1.0 million in 2014, $13.7 million in 2013 and $21.1 million in 2012.

As a result of certain realization requirements of accounting guidance for stock compensation, the table of deferred tax assets and liabilities shown above does not include certain deferred tax assets at December 31, 2014, 2013 and 2012 that arose directly from tax deductions related to equity compensation in excess of compensation recognized for financial reporting. Approximately $1.9 million of Federal and California net operating losses are related to tax stock option deductions in excess of book deductions. This amount will be credited to stockholders equity when it is realized.

The following are the Company s valuation and qualifying accounts (in thousands):

	Balance at Beginning of Period	Charged to Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Year Ended December 31, 2012:					
Deferred tax valuation allowance	$ 169,107	$ 21,086			$ 190,193
Year Ended December 31, 2013:					
Deferred tax valuation allowance	$ 190,193	$ 13,670			$ 203,863
Year Ended December 31, 2014:					
Deferred tax valuation allowance	$ 203,863	$ 1,037			$ 204,900

115

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following is a reconciliation of the statutory federal income tax rate to the Company s effective tax rate:

	Years Ended December 31,		
	2014	2013	2012
Tax at federal statutory tax rate	(34)%	(34)%	(34)%
State income tax, net of federal tax benefit	(1)%	(4)%	(6)%
State Apportionment	28%	7%	0%
Tax credits (net)	(7)%	(14)%	(19)%
Deferred tax assets (utilized) not benefited	7%	41%	56%
Stock-based compensation	5%	2%	0%
NOL Expiration	2%	1%	2%
Other	0%	1%	1%
Total	0%	0%	0%

The Company had federal net operating loss carryforwards of approximately $386.8 million and apportioned state net operating loss carryforwards of approximately $285.7 million before federal benefit at December 31, 2014. If not utilized, the federal and state operating loss carryforwards will begin to expire in various amounts beginning 2020 and 2015, respectively. The net operating loss carryforwards include deductions for stock options.

The Company had general business credit of approximately $30.8 million and $13.3 million for federal and state income tax purposes, respectively, at December 31, 2014. Amounts are comprised of Research and Development Credits and Orphan Drug Credits. If not utilized, the federal carryforwards will expire in various amounts beginning in 2021. The California state credit can be carried forward indefinitely. Since its filing of its 2011 tax return, the Company has claimed the orphan drug credit. For qualifying expenses, the orphan drug credit offers an increased benefit relative to the research and development credit taken in years prior.

As required by California state law, the Company apportions income to California based on a market-based sourcing approach. Accordingly, the Company s California apportionment formula is sensitive to changes in the source of the Company s mix of revenue. As a result of agreements in place in 2013, the Company adjusted deferred tax assets to reflect these changes.

In general, under Section 382 of the Internal Revenue Code (Section 382), a corporation that undergoes an ownership change is subject to limitations on its ability to utilize its pre-change net operating losses and tax credits to offset future taxable income. The Company has performed a section 382 analysis for the year ended December 31, 2014 and has not experienced an ownership change since 2006. A portion of the Company s existing net operating losses and tax credits are subject to limitations arising from previous ownership changes. Future changes in the Company s stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 and result in additional limitations.

Section 59(e) of the Internal Revenue Code allows a Company to capitalize R&D expenses. The Company elected to capitalize R&D expenses on its 2012 and 2013 tax returns after completing a reverse stock split in the second quarter of 2013. For 2014, the Company anticipates foregoing the election in its 2014 tax return as they do not anticipate an ownership change under Section 382.

The Company follows the accounting guidance that prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or

116

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

expected to be taken on a tax return. Tax positions are initially recognized in the financial statements when it is more likely than not that the position will be sustained upon examination by the tax authorities. Such tax positions are initially and subsequently measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

The significant jurisdictions in which the Company files income tax returns are the United States and California. For jurisdictions in which tax filings are made, the Company is subject to income tax examination for all fiscal years since inception. The IRS s Large Business and International Division concluded its audit of the 2009 tax year with no material adjustments. However, in general, the statute of limitations for tax liabilities for all years remains open for the purpose of adjusting the amounts of the losses and credits carried forward from those years.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits (UTBs) (in thousands):

	Federal and State Tax	Federal Tax Benefit of State Income Tax UTBs	Unrecognized Income Tax Benefits - Net of Federal Benefit of State UTBs
Unrecognized tax benefits balance at December 31, 2012	$ 5,340	$ 1,158	$ 4,182
Addition for tax positions of prior years	24	8	16
Addition for tax positions related to the current year	807	43	764
Unrecognized tax benefits balance at December 31, 2013	6,171	1,209	4,962
Reductions for tax positions of prior years	(85)	(29)	(56)
Addition for tax positions related to the current year	188	10	178
Unrecognized tax benefits balance at December 31, 2014	$ 6,274	$ 1,190	$ 5,084

Included in the balance of unrecognized tax benefits as of December 31, 2014, 2013 and 2012 are $5.1 million, $5.0 million and $4.2 million of tax benefits, respectively, that, if recognized, would result in adjustments to other tax accounts, primarily deferred taxes.

The Company recognizes interest accrued related to unrecognized tax benefits and penalties as income tax expense. Related to the unrecognized tax benefits noted above, the Company did not accrue any penalties or interest during 2014, 2013 or 2012. The Company does not expect its unrecognized tax benefit to change materially over the next twelve months.

Table of Contents

CYTOKINETICS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 14 Interest and Other, Net

Components of Interest and Other, Net were as follows (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Interest income and other income	$ 108	$ 98	$ 89
Interest expense and other expense		79	(2)
Interest and Other, net	$ 108	$ 177	$ 87

Interest income and other income in all periods primarily consisted of interest income generated from the Company s cash, cash equivalents and investments.

Interest expense and other expense in 2013 consisted solely of net gains realized upon disposal of equipment. Interest expense and other expense in 2012 primarily consisted of interest expense on borrowings under equipment financing lines.

Note 15 Quarterly Financial Data (Unaudited)

Quarterly results were as follows (in thousands, except per share data):

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2014					
Total revenues		$ 7,979	$ 7,788	$ 9,415	$ 21,758
Net income (loss)		(8,744)	(8,374)	(5,971)	8,443
Net income (loss) allocable to common stockholders		(8,744)	(8,374)	(5,971)	8,443
Net income (loss) per share allocable to common stockholders	basic and diluted	$ (0.27)	$ (0.23)	$ (0.16)	$ 0.23
2013					
Total revenues		$ 821	$ 1,009	$ 4,469	$ 24,349
Net income (loss)		(12,619)	(15,041)	(12,588)	6,531
Net income (loss) allocable to common stockholders		(12,619)	(15,041)	(12,588)	6,531
Net income (loss) per share allocable to common stockholders	basic	$ (0.53)	$ (0.58)	$ (0.43)	$ 0.22
Net income (loss) per share allocable to common stockholders	diluted	$ (0.53)	$ (0.58)	$ (0.43)	$ 0.21

Table of Contents

Item 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures. Our management evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that the Company s disclosure controls and procedures are effective.

Management s Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework 2013. Our management has concluded that, as of December 31, 2014, our internal control over financial reporting is effective based on these criteria.

Our independent registered public accounting firm, PricewaterhouseCoopers LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2014, as stated in their report, which is included herein.

Changes in Internal Control over Financial Reporting. There was no change in our internal control over financial reporting that occurred during the quarter ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls, will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Cytokinetics have been detected.

Item 9B. ***Other Information***

None.

Table of Contents

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information regarding our directors and executive officers, our director nominating process and our audit committee is incorporated by reference from our definitive Proxy Statement for our 2015 Annual Meeting of Stockholders, where it appears under the headings Board of Directors and Executive Officers.

Section 16(a) Beneficial Ownership Reporting Compliance

The information regarding our Section 16 beneficial ownership reporting compliance is incorporated by reference from our definitive Proxy Statement described above, where it appears under the headings Section 16(a) Beneficial Ownership Reporting Compliance.

Code of Ethics

We have adopted a Code of Ethics that applies to all directors, officers and employees of the Company. We publicize the Code of Ethics through posting the policy on our website, www.cytokinetics.com. We will disclose on our website any waivers of, or amendments to, our Code of Ethics within four business days following the date of such amendment or waiver.

Item 11. ***Executive Compensation***

The information required by this Item is incorporated by reference from our definitive Proxy Statement referred to in Item 10 above, where it appears under the headings Executive Compensation and Compensation Committee Interlocks and Insider Participation.

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

The information required by this Item regarding security ownership of certain beneficial owners and management is incorporated by reference from our definitive Proxy Statement referred to in Item 10 above, where it appears under the heading Security Ownership of Certain Beneficial Owners and Management.

The following table summarizes the securities authorized for issuance under our equity compensation plans as of December 31, 2014:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by stockholders	2,139,534	$ 15.17	1,440,648(1)
Equity compensation plans not approved by stockholders			
Total	2,139,534	$ 15.17	1,440,648

(1) Includes 170,170 shares of common stock reserved for issuance under the Employee Stock Purchase Plan.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information required by this Item is incorporated by reference from our definitive Proxy Statement referred to in Item 10 above where it appears under the headings Certain Business Relationships and Related Party Transactions and Board of Directors.

Item 14. ***Principal Accounting Fees and Services***

The information required by this Item is incorporated by reference from our definitive Proxy Statement referred to in Item 10 above, where it appears under the heading Principal Accountant Fees and Services.

Table of Contents

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) The following documents are filed as part of this Form 10-K:

(1) Financial Statements (included in Part II of this report):

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets

Consolidated Statements of Comprehensive Loss

Consolidated Statements of Stockholders Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules:

None All financial statement schedules are omitted because the information is inapplicable or presented in the notes to the financial statements.

(3) Exhibits:

Exhibit No.	Exhibits	Incorporated by Reference				Filed Herewith
		Form	File No.	Filing Date	Exh. No.	
3.1	Amended and Restated Certificate of Incorporation.	S-3	333-174869	June 13, 2011	3.1	
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation.	10-Q	000-50633	August 4, 2011	3.2	
3.3	Certificate of Amendment of Amended and Restated Certificate of Incorporation.	8-K	000-50633	June 25, 2013	5.1	
3.4	Amended and Restated Bylaws.	S-1	333-112261	January 27, 2004	3.2	
3.5	Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock.	8-K	000-50633	April 18, 2011	4.5	
3.6	Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock.	8-K	000-50633	June 20, 2012	4.1	
4.1	Specimen Common Stock Certificate.	10-Q	000-50633	May 9, 2007	4.1	

4.2	Registration Rights Agreement, dated as of December 29, 2006, by and between the Company and Amgen Inc.	8-K	000-50633	January 3, 2007	10.7

Table of Contents

Exhibit No.	Exhibits	Incorporated by Reference				Filed Herewith
		Form	File No.	Filing Date	Exh. No.	
4.3	Form of Warrant to Purchase Common Stock of Cytokinetics, Inc.	8-K	000-50633	April 18, 2011	10.68	
4.4	Form of Common Stock Warrant Agreement	S-3	333-178189	November 25, 2011	4.4	
4.5	Form of Preferred Stock Warrant Agreement	S-3	333-178189	November 25, 2011	4.5	
4.6	Form of Warrant	10-Q	000-50633	August 6, 2012	4.6	
4.7	Form of Common Stock Warrant and Warrant Certificate	S-3	333-192125	November 6, 2013	4.4	
4.8	Form of Preferred Stock Warrant and Warrant Certificate	S-3	333-192125	November 6, 2013	4.5	
10.1	1997 Stock Option/Stock Issuance Plan	S-1	333-112261	January 27, 2004	10.2	
10.2	2004 Equity Incentive Plan, as amended	10-Q	000-50633	August 7, 2013	10.2	
10.3	2004 Employee Stock Purchase Plan	10-Q	000-50633	August 7, 2013	10.3	
10.4	Build-to-Suit Lease, dated May 27, 1997, by and between Britannia Pointe Grand Limited Partnership and Metaxen, LLC.	S-1	333-112261	April 29, 2004	10.5	
10.5	First Amendment to Lease, dated April 13, 1998, by and between Britannia Pointe Grand Limited Partnership and Metaxen, LLC.	S-1	333-112261	January 27, 2004	10.6	
10.6	Sublease Agreement, dated May 1, 1998, by and between the Company and Metaxen, LLC	S-1	333-112261	January 27, 2004	10.7	
10.7	Sublease Agreement, dated March 1, 1999, by and between Metaxen, LLC and Exelixis Pharmaceuticals, Inc.	S-1	333-112261	January 27, 2004	10.8	
10.8	Assignment and Assumption Agreement and Consent, dated July 11, 1999, by and among Exelixis Pharmaceuticals, Metaxen, LLC, Xenova Group PLC and Britannia Pointe Grande Limited Partnership	S-1	333-112261	January 27, 2004	10.9	

Table of Contents

Exhibit No.	Exhibits	Incorporated by Reference				Filed Herewith
		Form	File No.	Filing Date	Exh. No.	
10.9	Second Amendment to Lease, dated July 11, 1999, by and between Britannia Pointe Grand Limited Partnership and Exelixis Pharmaceuticals, Inc.	S-1	333-112261	January 27, 2004	10.10	
10.10	First Amendment to Sublease Agreement, dated July 20, 1999, by and between the Company and Metaxen.	S-1	333-112261	January 27, 2004	10.11	
10.11	Agreement and Consent, dated July 20, 1999, by and among Exelixis Pharmaceuticals, Inc., the Company and Britannia Pointe Grand Limited Partnership	S-1	333-112261	January 27, 2004	10.12	
10.12	Amendment to Agreement and Consent, dated July 31, 2000, by and between the Company, Exelixis, Inc., and Britannia Pointe Grande Limited Partnership	S-1	333-112261	January 27, 2004	10.13	
10.13	Assignment and Assumption of Lease, dated September 28, 2000, by and between the Company and Exelixis, Inc.	S-1	333-112261	January 27, 2004	10.14	
10.14	Sublease Agreement, dated September 28, 2000, by and between the Company and Exelixis, Inc.	S-1	333-112261	January 27, 2004	10.15	
*10.15	Collaboration and Option Agreement, dated as of December 29, 2006, by and between the Company and Amgen Inc.	10-K	000-50633	March 12, 2007	10.63	
10.16	Common Stock Purchase Agreement, dated October 15, 2007, by and between the Company and Kingsbridge Capital Limited.	8-K	000-50633	October 15, 2007	10.66	
10.17	Form of Indemnification Agreement between the Company and each of its directors and executive officers.	10-Q	000-50633	August 5, 2008	10.1	
*10.18	Scientific Advisory Board Consulting Agreement, dated April 1, 2008, by and between the Company and James. H. Sabry.	8-K	000-50633	April 2, 2008	10.66	

Table of Contents

Exhibit No.	Exhibits	Incorporated by Reference				Filed Herewith
		Form	File No.	Filing Date	Exh. No.	
10.19	Amended and Restated Executive Employment Agreement, dated May 21, 2007, by and between the Company and Robert Blum.	10-Q	000-50633	August 5, 2008	10.69	
10.20	Form of Executive Employment Agreement between the Company and its executive officers.	10-Q	000-50633	August 5, 2008	10.68	
*10.21	Amendment No. 1, dated June 17, 2008, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.	10-K	000-50633	March 12, 2009	10.62	
*10.22	Amendment No. 2, dated September 30, 2008, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.	10-K	000-50633	March 12, 2009	10.63	
*10.23	Amendment No. 3, dated October 31, 2008, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.	10-K	000-50633	March 12, 2009	10.65	
*10.24	Amendment No. 4, dated February 20, 2009, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.	10-K	000-50633	March 12, 2009	10.67	
10.25	Form of Amendment No. 1 to Amended and Restated Executive Employment Agreements.	10-K	000-50633	March 12, 2009	10.68	
10.26	Third Amendment to Lease, dated December 10, 2010, by and between the Company and Britannia Pointe Grand Limited Partnership.	10-K	000-50633	March 11, 2011	10.65	
*10.27	Amendment No. 5, dated November 1, 2011, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.	10-K	000-50633	March 11, 2011	10.66	

Table of Contents

Exhibit No.	Exhibits	Incorporated by Reference				Filed Herewith
		Form	File No.	Filing Date	Exh. No.	
10.28	Securities Purchase Agreement, dated April 18, 2011, between the Company and Deerfield Private Design Fund II, L.P., Deerfield Private Design International II, L.P., Deerfield Special Situations Fund, L.P., and Deerfield Special Situations Fund International Limited.	8-K	000-50633	April 18, 2011	10.67	
10.29	At the Market Issuance Sales Agreement, dated June 10, 2011, between the Company and McNicoll, Lewis & Vlak LLC.	8-K	000-50633	June 13, 2011	10.68	
*10.30	Consulting Agreement between the Company and David J. Morgans, dated November 1, 2011.	10-K	000-50633	March 13, 2012	10.42	
*10.31	Amendment No. 1, dated May 1, 2012, to Consulting Agreement between the Company and David J. Morgans, dated November 1, 2011.	10-Q	000-50633	May 4, 2012	10.43	
*10.32	Amendment No. 2, dated October 30, 2012 to Consulting Agreement between the Company and David J. Morgans, dated November 1, 2011.	10-K	000-50633	March 15, 2013	10.44	
10.33	Compensation Information for the Company s Named Executive Officers.	8-K	000-50633	March 2, 2015	10.1	
10.34	Form of Option Agreement.	10-K	000-50633	March 15, 2013	10.46	
10.35	Form of Restricted Stock Unit Award Agreement.	10-K	000-50633	March 15, 2013	10.47	
10.36	Common Stock Purchase Agreement dated June 11, 2013, by and between the Company and Amgen, Inc.	8-K	000-50633	June 12, 2013	10.48	
*10.37	Amendment No. 6, dated June 11, 2013, to the Collaboration and Option Agreement by and between the Company and Amgen, Inc.	10-Q	000-50633	August 7, 2013	10.46	
10.38	Form of Executive Employment Agreement between the Company and its executive officers.	10-K	000-50633	March 7, 2014	10.39	
10.39	Common Stock Purchase Agreement by and between the Company and Astellas Pharma Inc. dated December 22, 2014.	8-K	000-50633	December 23, 2014	10.46	

Table of Contents

Exhibit No.	Exhibits	Incorporated by Reference				Filed Herewith
		Form	File No.	Filing Date	Exh. No.	
*10.40	Amended and Restated License and Collaboration Agreement, dated December 22, 2014, by and between the Company and Astellas Pharma Inc.					X
23.1	Consent of Independent registered public accounting firm.					X
24.1	Power of Attorney (included in the signature page to this report).					
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certifications of the Principal Executive Officer and the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).					X
101.INS	XBRL Instance Document.					X
101.SCH	XBRL Taxonomy Extension Schema Document.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					X

* Pursuant to a request for confidential treatment, portions of this Exhibit have been redacted from the publicly filed document and have been furnished separately to the Securities and Exchange Commission as required by Rule 406 under the Securities Act or Rule 24b-2 under the Exchange Act, as applicable.

(b) Exhibits

The exhibits listed under Item 15(a)(3) hereof are filed as part of this Form 10-K, other than Exhibit 32.1 which shall be deemed furnished.

(c) Financial Statement Schedules

None All financial statement schedules are omitted because the information is inapplicable or presented in the notes to the financial statements.

126

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CYTOKINETICS, INCORPORATED

By: /s/ Robert I. Blum
Robert I. Blum

President, Chief Executive Officer and Director

Dated: March 6, 2015

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert I. Blum and Sharon A. Barbari, and each of them, his true and lawful attorneys-in-fact, each with full power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact or their substitute or substitutes may do or cause to be done by virtue hereof.

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

Signature	Title	Date
/s/ Robert I. Blum Robert I. Blum	President, Chief Executive Officer and Director (Principal Executive Officer)	March 6, 2015
/s/ Sharon A. Barbari Sharon A. Barbari	Executive Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Executive)	March 6, 2015
/s/ L. Patrick Gage, Ph.D. L. Patrick Gage, Ph.D.	Chairman of the Board of Directors	March 6, 2015
/s/ Santo J. Costa Santo J. Costa	Director	March 6, 2015
/s/ Denise M. Gilbert, Ph.D. Denise M. Gilbert, Ph.D.	Director	March 6, 2015
/s/ John T. Henderson, M.B. Ch.B. John T. Henderson, M.B. Ch.B.	Director	March 6, 2015

/s/ B. Lynne Parshall, Esq.	Director	March 6, 2015
B. Lynne Parshall, Esq.		
/s/ Sandford D. Smith	Director	March 6, 2015
Sandford D. Smith		
/s/ Wendell Wierenga, Ph.D.	Director	March 6, 2015
Wendell Wierenga, Ph.D.		

Table of Contents

Exhibit No.	Exhibits	Incorporated by Reference				Filed Herewith
		Form	File No.	Filing Date	Exh. No.	
3.1	Amended and Restated Certificate of Incorporation.	S-3	333-174869	June 13, 2011	3.1	
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation.	10-Q	000-50633	August 4, 2011	3.2	
3.3	Certificate of Amendment of Amended and Restated Certificate of Incorporation.	8-K	000-50633	June 25, 2013	5.1	
3.4	Amended and Restated Bylaws.	S-1	333-112261	January 27, 2004	3.2	
3.5	Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock.	8-K	000-50633	April 18, 2011	4.5	
3.6	Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock.	8-K	000-50633	June 20, 2012	4.1	
4.1	Specimen Common Stock Certificate.	10-Q	000-50633	May 9, 2007	4.1	
4.2	Registration Rights Agreement, dated as of December 29, 2006, by and between the Company and Amgen Inc.	8-K	000-50633	January 3, 2007	10.7	
4.3	Form of Warrant to Purchase Common Stock of Cytokinetics, Inc.	8-K	000-50633	April 18, 2011	10.68	
4.4	Form of Common Stock Warrant Agreement	S-3	333-178189	November 25, 2011	4.4	
4.5	Form of Preferred Stock Warrant Agreement	S-3	333-178189	November 25, 2011	4.5	
4.6	Form of Warrant	10-Q	000-50633	August 6, 2012	4.6	
4.7	Form of Common Stock Warrant and Warrant Certificate	S-3	333-192125	November 6, 2013	4.4	
4.8	Form of Preferred Stock Warrant and Warrant Certificate	S-3	333-192125	November 6, 2013	4.5	
10.1	1997 Stock Option/Stock Issuance Plan	S-1	333-112261	January 27, 2004	10.2	
10.2	2004 Equity Incentive Plan, as amended	10-Q	000-50633	August 7, 2013	10.2	
10.3	2004 Employee Stock Purchase Plan	10-Q	000-50633	August 7, 2013	10.3	

Table of Contents

Exhibit No.	Exhibits	Incorporated by Reference				Filed Herewith
		Form	File No.	Filing Date	Exh. No.	
10.4	Build-to-Suit Lease, dated May 27, 1997, by and between Britannia Pointe Grand Limited Partnership and Metaxen, LLC.	S-1	333-112261	January 27, 2004	10.5	
10.5	First Amendment to Lease, dated April 13, 1998, by and between Britannia Pointe Grand Limited Partnership and Metaxen, LLC.	S-1	333-112261	January 27, 2004	10.6	
10.6	Sublease Agreement, dated May 1, 1998, by and between the Company and Metaxen, LLC	S-1	333-112261	January 27, 2004	10.7	
10.7	Sublease Agreement, dated March 1, 1999, by and between Metaxen, LLC and Exelixis Pharmaceuticals, Inc.	S-1	333-112261	January 27, 2004	10.8	
10.8	Assignment and Assumption Agreement and Consent, dated July 11, 1999, by and among Exelixis Pharmaceuticals, Metaxen, LLC, Xenova Group PLC and Britannia Pointe Grande Limited Partnership	S-1	333-112261	January 27, 2004	10.9	
10.9	Second Amendment to Lease, dated July 11, 1999, by and between Britannia Pointe Grand Limited Partnership and Exelixis Pharmaceuticals, Inc.	S-1	333-112261	January 27, 2004	10.10	
10.10	First Amendment to Sublease Agreement, dated July 20, 1999, by and between the Company and Metaxen.	S-1	333-112261	January 27, 2004	10.11	
10.11	Agreement and Consent, dated July 20, 1999, by and among Exelixis Pharmaceuticals, Inc., the Company and Britannia Pointe Grand Limited Partnership	S-1	333-112261	January 27, 2004	10.12	
10.12	Amendment to Agreement and Consent, dated July 31, 2000, by and between the Company, Exelixis, Inc., and Britannia Pointe Grande Limited Partnership	S-1	333-112261	January 27, 2004	10.13	
10.13	Assignment and Assumption of Lease, dated September 28, 2000, by and between the Company and Exelixis, Inc.	S-1	333-112261	January 27, 2004	10.14	

Table of Contents

Exhibit No.	Exhibits	Incorporated by Reference				Filed Herewith
		Form	File No.	Filing Date	Exh. No.	
10.14	Sublease Agreement, dated September 28, 2000, by and between the Company and Exelixis, Inc.	S-1	333-112261	January 27, 2004	10.15	
*10.15	Collaboration and Option Agreement, dated as of December 29, 2006, by and between the Company and Amgen Inc.	10-K	000-50633	March 12, 2007	10.63	
10.16	Common Stock Purchase Agreement, dated October 15, 2007, by and between the Company and Kingsbridge Capital Limited.	8-K	000-50633	October 15, 2007	10.66	
10.17	Form of Indemnification Agreement between the Company and each of its directors and executive officers.	10-Q	000-50633	August 5, 2008	10.1	
*10.18	Scientific Advisory Board Consulting Agreement, dated April 1, 2008, by and between the Company and James. H. Sabry.	8-K	000-50633	April 2, 2008	10.66	
10.19	Amended and Restated Executive Employment Agreement, dated May 21, 2007, by and between the Company and Robert Blum	10-Q	000-50633	August 5, 2008	10.69	
10.20	Form of Executive Employment Agreement between the Company and its executive officers.	10-Q	000-50633	August 5, 2008	10.68	
*10.21	Amendment No. 1, dated June 17, 2008, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.	10-K	000-50633	March 12, 2009	10.62	
*10.22	Amendment No. 2, dated September 30, 2008, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.	10-K	000-50633	March 12, 2009	10.63	
*10.23	Amendment No. 3, dated October 31, 2008, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.	10-K	000-50633	March 12, 2009	10.65	

Table of Contents

Exhibit No.	Exhibits	Incorporated by Reference				Filed Herewith
		Form	File No.	Filing Date	Exh. No.	
*10.24	Amendment No. 4, dated February 20, 2009, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.	10-K	000-50633	March 12, 2009	10.67	
10.25	Form of Amendment No. 1 to Amended and Restated Executive Employment Agreements.	10-K	000-50633	March 12, 2009	10.68	
10.26	Third Amendment to Lease, dated December 10, 2010, by and between the Company and Britannia Pointe Grand Limited Partnership.	10-K	000-50633	March 11, 2011	10.65	
*10.27	Amendment No. 5, dated November 1, 2011, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.	10-K	000-50633	March 11, 2011	10.66	
10.28	Securities Purchase Agreement, dated April 18, 2011, between the Company and Deerfield Private Design Fund II, L.P., Deerfield Private Design International II, L.P., Deerfield Special Situations Fund, L.P., and Deerfield Special Situations Fund International Limited.	8-K	000-50633	April 18, 2011	10.67	
10.29	At the Market Issuance Sales Agreement, dated June 10, 2011, between the Company and McNicoll, Lewis & Vlak LLC.	8-K	000-50633	June 13, 2011	10.68	
*10.30	Consulting Agreement between the Company and David J. Morgans, dated November 1, 2011.	10-K	000-50633	March 13, 2012	10.42	
*10.31	Amendment No. 1, dated May 1, 2012, to Consulting Agreement between the Company and David J. Morgans, dated November 1, 2011.	10-Q	000-50633	May 4, 2012	10.43	
*10.32	Amendment No. 2, dated October 30, 2012 to Consulting Agreement between the Company and David J. Morgans, dated November 1, 2011.	10-K	000-50633	March 15, 2013	10.44	
10.33	Compensation Information for the Company s Named Executive Officers.	8-K	000-50633	March 2, 2015	10.1	

Table of Contents

Exhibit No.	Exhibits	Incorporated by Reference				Filed Herewith
		Form	File No.	Filing Date	Exh. No.	
10.34	Form of Option Agreement.	10-K	000-50633	March 15, 2013	10.46	
10.35	Form of Restricted Stock Unit Award Agreement.	10-K	000-50633	March 15, 2013	10.47	
10.36	Common Stock Purchase Agreement dated June 11, 2013, by and between the Company and Amgen, Inc.	8-K	000-50633	June 12, 2013	10.48	
*10.37	Amendment No. 6, dated June 11, 2013, to the Collaboration and Option Agreement by and between the Company and Amgen, Inc.	10-Q	000-50633	August 7, 2013	10.46	
10.38	Form of Executive Employment Agreement between the Company and its executive officers.	10-K	000-50633	March 7, 2014	10.39	
10.39	Common Stock Purchase Agreement by and between the Company and Astellas Pharma Inc. dated December 22, 2014.	8-K	000-50633	December 23, 2014	10.46	
*10.40	Amended and Restated License and Collaboration Agreement, dated December 22, 2014, by and between the Company and Astellas Pharma Inc.					X
23.1	Consent of Independent registered public accounting firm.					X
24.1	Power of Attorney (included in the signature page to this report).					
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certifications of the Principal Executive Officer and the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).					X
101.INS	XBRL Instance Document.					X

Table of Contents

Exhibit No.	Exhibits	Incorporated by Reference				Filed Herewith
		Form	File No.	Filing Date	Exh. No.	
101.SCH	XBRL Taxonomy Extension Schema Document.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					X

* Pursuant to a request for confidential treatment, portions of this Exhibit have been redacted from the publicly filed document and have been furnished separately to the Securities and Exchange Commission as required by Rule 406 under the Securities Act or Rule 24b-2 under the Exchange Act, as applicable.

(b) Exhibits

The exhibits listed under Item 15(a)(3) hereof are filed as part of this Form 10-K, other than Exhibit 32.1 which shall be deemed furnished.

(c) Financial Statement Schedules

None All financial statement schedules are omitted because the information is inapplicable or presented in the notes to the financial statements.