CYTOKINETICS INC
Form 10-Q
August 07, 2013
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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 June 30, 2013

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: 000-50633

CYTOKINETICS, INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware	**94-3291317**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
280 East Grand Avenue	
South San Francisco, California	**94080**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (650) 624-3000

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

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

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

Number of shares of common stock, $0.001 par value, outstanding as of July 26, 2013: 29,352,458.

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FOR THE QUARTER ENDED JUNE 30, 2013

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CYTOKINETICS, INCORPORATED

(A Development Stage Enterprise)

CONDENSED BALANCE SHEETS

(In thousands, except share and per share data)

(Unaudited)

	June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,057	$ 14,907
Short-term investments	58,596	59,093
License fee receivable	16,000	
Related party accounts receivable		4
Prepaid and other current assets	1,967	2,423
Total current assets	93,620	76,427
Property and equipment, net	809	997
Other assets	126	127
Total assets	$ 94,555	$ 77,551
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 1,801	$ 2,002
Accrued liabilities	6,706	4,877
Deferred revenue, current	25,529	
Related party payables and accrued liabilities		150
Short-term portion of deferred rent	10	76
Total current liabilities	34,046	7,105
Deferred revenue, non-current	8,000	
Long-term portion of deferred rent	520	361
Total liabilities	42,566	7,466
Commitments and contingencies		
Stockholders equity:		
Preferred stock, $0.001 par value:		
Authorized: 10,000,000 shares;		
Issued and outstanding: Series B convertible preferred stock 4,000 shares at June 30, 2013 and 23,026 shares at December 31, 2012		
Common stock, $0.001 par value:		
Authorized: 81,500,000 shares;		

Issued and outstanding: 28,685,215 shares at June 30, 2013 and 23,742,911 shares at December 31, 2012	29	24
Additional paid-in capital	528,501	518,923
Accumulated other comprehensive income	(1)	18
Deficit accumulated during the development stage	(476,540)	(448,880)
Total stockholders equity	51,989	70,085
Total liabilities and stockholders equity	$ 94,555	$ 77,551

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

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CYTOKINETICS, INCORPORATED

(A Development Stage Enterprise)

CONDENSED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended		Period from August 5, 1997 (Date of Inception) to June 30, 2013
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	
Revenues:					
Research and development revenues from related parties	$ 563	$ 1,095	$ 891	$ 2,271	$ 56,219
Research and development, grant and other revenues	446	746	939	1,390	10,311
License revenues from related parties					112,935
Total revenues	1,009	1,841	1,830	3,661	179,465
Operating expenses:					
Research and development	12,347	8,242	22,181	16,987	510,296
General and administrative	3,730	2,568	7,364	5,624	163,745
Restructuring charges (reversals)		(13)		(54)	3,586
Total operating expenses	16,077	10,797	29,545	22,557	677,627
Operating loss	(15,068)	(8,956)	(27,715)	(18,896)	(498,162)
Interest and other, net	27	13	55	26	21,596
Loss before income taxes	(15,041)	(8,943)	(27,660)	(18,870)	(476,566)
Income tax benefit					(26)
Net loss	(15,041)	(8,943)	(27,660)	(18,870)	(476,540)
Deemed dividend related to beneficial conversion feature of convertible preferred stock		(1,307)		(1,307)	(4,164)
Net loss allocable to common stockholders	$ (15,041)	$ (10,250)	$ (27,660)	$ (20,177)	$ (480,704)
Net loss per share allocable to common stockholders basic and diluted	$ (0.58)	$ (0.76)	$ (1.11)	$ (1.54)	
Weighted-average number of shares used in computing net loss per share allocable to common stockholders basic and diluted	25,773	13,538	24,896	13,109	
Comprehensive loss	$ (15,051)	$ (8,942)	$ (27,678)	$ (18,874)	$ (476,540)

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

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CYTOKINETICS, INCORPORATED

(A Development Stage Enterprise)

CONDENSED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended		Period from August 5, 1997 (Date of Inception) to June 30, 2013
	June 30, 2013	June 30, 2012	
Cash flows from operating activities:			
Net loss	$ (27,660)	$ (18,870)	$ (476,540)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization of property and equipment	244	322	29,498
Loss on disposal of equipment	(3)	(2)	296
Non-cash impairment charges			103
Non-cash restructuring expenses, net of reversals		(54)	636
Non-cash interest expense			504
Non-cash forgiveness of loans to officers			434
Stock-based compensation	2,096	1,812	38,224
Non-cash warrant expense			1,626
Other non-cash expenses			141
Changes in operating assets and liabilities:			
License fee receivable	(16,000)		(16,000)
Related party accounts receivable	4	11	(351)
Prepaid and other assets	456	(379)	(2,122)
Accounts payable	(72)	(137)	1,966
Accrued and other liabilities	1,958	(127)	6,962
Related party payables and accrued liabilities	(150)	(12)	
Deferred revenue	33,529		33,529
Net cash used in operating activities	(5,598)	(17,436)	(381,094)
Cash flows from investing activities:			
Purchases of investments	(39,069)	(26,888)	(1,091,312)
Proceeds from sales and maturities of investments	39,547	30,253	1,012,774
Proceeds from sales of auction rate securities			20,025
Purchases of property and equipment	(221)	(20)	(31,382)
Proceeds from sales of property and equipment	3	2	146
Decrease in restricted cash		196	
Issuance of related party notes receivable			(1,146)
Proceeds from repayments of notes receivable			859
Net cash provided by (used in) investing activities	260	3,543	(90,036)
Cash flows from financing activities:			
Proceeds from initial public offering, sale of common stock to related party, and public offerings, net of issuance costs	7,483	43,687	258,031
		2,819	58,095

Proceeds from draw down of committed equity financing facilities and at-the-market facility, net of commission and issuance costs			
Proceeds from other issuances of common stock and warrants, net	5	39	17,784
Proceeds from issuance of preferred stock, net of issuance costs		12,321	154,819
Repurchase of common stock			(68)
Proceeds from loan with UBS			12,441
Repayment of loan with UBS			(12,441)
Proceeds from equipment financing lines			23,696
Repayment of equipment financing lines		(152)	(24,170)
Net cash provided by financing activities	7,488	58,714	488,187
Net increase in cash and cash equivalents	2,150	44,821	17,057
Cash and cash equivalents, beginning of period	14,907	18,833	
Cash and cash equivalents, end of period	$ 17,057	$ 63,654	$ 17,057

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

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CYTOKINETICS, INCORPORATED

(A Development Stage Enterprise)

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

Note 1. Organization and Summary of Significant Accounting Policies

Overview

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 is a development stage enterprise and has been primarily engaged in conducting research, developing drug candidates and technologies, and raising capital.

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 $476.5 million since inception and there can be no assurance that the Company will attain profitability. The Company had a net loss of $27.7 million and net cash used in operations of $5.6 million for the six months ended June 30, 2013. Cash, cash equivalents and investments increased to $75.7 million at June 30, 2013 from $74.0 million at December 31, 2012 due principally to cash receipts from licensing transactions. 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 development 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 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, government grants and debt financings. The Company has never generated revenues from commercial sales of its drugs and may not have drugs to market 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 June 30, 2013 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.

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The financial statements include all adjustments (consisting only of normal recurring adjustments) that management believes are necessary for the fair statement of the balances and results for the periods presented. These interim financial statement results are not necessarily indicative of results to be expected for the full fiscal year or any future interim period.

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The balance sheet at December 31, 2012 has been derived from the audited financial statements at that date. The financial statements and related disclosures have been prepared with the presumption that users of the interim financial statements have read or have access to the audited financial statements for the preceding fiscal year. Accordingly, these financial statements should be read in conjunction with the audited financial statements and notes thereto contained in the Company s Form 10-K for the year ended December 31, 2012, as filed with the SEC on March 15, 2013.

Significant Accounting Policies

The Company s significant accounting policies are disclosed in its annual report on Form 10-K for the year ended December 31, 2012, as filed with the SEC on March 15, 2013, and have not changed as of June 30, 2013, except as noted below.

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 condensed financial statements and notes thereto have been adjusted to reflect the reverse stock split on a retroactive basis.

Recently Adopted Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Statement Update (ASU) 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. This update requires entities to disclose items reclassified out of accumulated other comprehensive income and into net income in a single location within the financial statements. This new guidance is effective for the Company beginning January 1, 2013, with early adoption permitted. On January 1, 2013, the Company adopted this new accounting guidance and will disclose reclassifications out of accumulated other comprehensive income and into net income in the footnotes to the financial statements.

Accounting Pronouncements Not Yet Adopted

None.

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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 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 units, 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):

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net loss	$ (15,041)	$ (8,943)	$ (27,660)	$ (18,870)
Deemed dividend related to beneficial conversion feature of convertible preferred stock		(1,307)		(1,307)
Net loss allocable to common stockholders	$ (15,041)	$ (10,250)	$ (27,660)	$ (20,177)
Weighted-average common shares outstanding (weighted average number of shares used in computing net loss per share allocable to common stockholders) basic and diluted	25,773	13,538	24,896	13,109
Net loss per share allocable to common stockholders basic and diluted	$ (0.58)	$ (0.76)	$ (1.11)	$ (1.54)

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

	Three and Six Months Ended	
	June 30, 2013	June 30, 2012
Options to purchase common stock	2,495	1,881
Warrants to purchase common stock	7,692	9,009
Series A convertible preferred stock (as converted to common stock)		1,345
Series B convertible preferred stock (as converted to common stock)	667	3,838
Restricted stock units	254	474
Shares issuable related to the ESPP	12	8
Total shares	11,120	16,555

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Note 3. Supplemental Cash Flow Data

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

	Six Months Ended		Period from August 5, 1997 (date of inception) to June 30, 2013
	June 30, 2013	June 30, 2012	
Significant non-cash investing and financing activities:			
Deferred stock-based compensation	$	$	$ 6,940
Purchases of property and equipment through accounts payable	129		129
Purchases of property and equipment through accrued liabilities	37		37
Purchases of property and equipment through trade in value of disposed property and equipment			258
Penalty on restructuring of equipment financing lines			475
Conversion of convertible preferred stock to common stock			133,172
Warrants issued in equity financing			1,585

Note 4. Related Party Research and Development Arrangements

Amgen Inc. (Amgen)

In 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 2009, Amgen exercised its option.

In June 2013, the Company and Amgen amended the Amgen Agreement to expand Amgen s exclusive license to include Japan, resulting in a worldwide collaboration (the Amgen Agreement Amendment). Under the Amgen Agreement Amendment, the Company received a non-refundable upfront license fee of $15 million. As of June 30, 2013, the Company determined that all conditions necessary for revenue recognition under Accounting Standards Codification (ASC) 605-10 had not been met and accordingly, will defer the revenue attributable to the Amgen Agreement Amendment until the criteria of ASC 605-10 have been satisfied.

In conjunction with the Amgen Agreement Amendment, the Company also entered into a common stock purchase agreement with Amgen, which provided for the sale of 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 has 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 will be allocated between the license and services based on their relative selling prices using best estimate of selling price. Allocated consideration will be recognized as revenue as revenue criteria is satisfied, or as services are performed over approximately 12 months.

At June 30, 2013, the Company had $17.5 million of deferred revenue under the Amgen Amendment Agreement.

Under the Amgen Agreement Amendment, the Company plans to conduct 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 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 in Japan of up to $50 million, and royalties on net sales of omecamtiv mecarbil in Japan. Such royalty rates will range from the high single digits to the low teens. The Company has determined that the additional milestones are not substantive, as they are primarily the result of Amgen s performance and therefore revenue will be recognized as the Company completes any performance obligations, or if all performance obligations have been delivered at the point the milestone is reached, the revenue from the milestone would be recognized at that time.

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Pursuant to the Amgen Agreement, the Company has recognized research and development revenue from Amgen for reimbursements of its costs of certain full-time employee equivalents (FTEs) 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):

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
FTE reimbursements	$ 563	$ 1,095	$ 891	$ 2,268
Reimbursements of other costs				3
Total research and development revenues from Amgen	563	1,095	891	2,271
Total revenue from Amgen	$ 563	$ 1,095	$ 891	$ 2,271

At December 31, 2012 and June 30, 2013, there were no related party receivables under the Amgen Agreement.

Note 5. Other Research and Development Revenue Arrangements

Grants

In 2010, the National Institute of Neurological Disorders and Stroke (NINDS) awarded the Company a $2.8 million grant to support research and development of tirasemtiv, a fast skeletal troponin activator currently in Phase II clinical trials, directed to the potential treatment of myasthenia gravis for a period of up to three years. In September 2012, the NINDS awarded the Company an additional $0.5 million for this program under a separate grant. Management determined that the Company was the principal participant in the grant arrangement, and, accordingly, the Company recorded amounts earned under the arrangement as revenue. The project period for both of these grants ended June 30, 2013.

The Company recognized grant revenue under this grant arrangement as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
NINDS myasthenia gravis	$ 11	$ 334	$ 69	$ 632

Other Research and Development Arrangements

As part of an initiative to seek certain more focused collaborations intended to offset certain research costs, the Company entered into agreements with two early-stage biopharmaceutical companies during 2011 and 2012.

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 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):

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Expense reimbursements from Global Blood Therapeutics	$	$ 412	$	$ 758

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.

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

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Expense reimbursements from MyoKardia	$ 410	$	$ 845	$

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

Under the 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. CK-2127107, which is currently in Phase I clinical development, will be developed jointly by the Company and Astellas. The Company will be primarily responsible for the conduct of Phase I clinical trials and certain Phase II readiness activities for CK-2127107 and Astellas will be primarily responsible for the conduct of subsequent development and commercialization activities for CK-2127107.

The parties will jointly conduct research to identify next-generation skeletal muscle activators to be nominated as potential drug candidates, at Astellas expense. Astellas has the exclusive rights to develop and commercialize fast skeletal troponin activators from this research program in non-neuromuscular indications and to develop and commercialize other novel mechanism skeletal muscle activators from this research program in all indications, subject to certain co-development and co-promotion rights of the Company under the Astellas Agreement. Astellas will be responsible for the costs associated with the development of all collaboration products, including CK-2127107.

The Company retains an option to conduct early-stage development for certain agreed upon indications at its initial expense, subject to reimbursement if development continues under the collaboration. The Company also retains an option to co-promote collaboration products in the United States and Canada. Astellas will reimburse the Company for certain expenses associated with its co-promotion activities.

In July 2013, the Company received an upfront payment of $16 million in connection with the execution of the Astellas Agreement, and is eligible to potentially receive over $24 million in reimbursement of sponsored research and development activities during the initial two years of the collaboration. Based on the achievement of pre-specified criteria, the Company may receive over $250 million in milestone payments relating to the development and commercial launch of collaboration products, including up to $112 million in development and commercial launch milestones for CK-2127107. The Company may also receive up to $200 million in pay