CYTOKINETICS INC
Form 10-Q
August 06, 2012
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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, 2012

or

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

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 Number)**
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 23, 2012: 133,478,796.

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CYTOKINETICS, INCORPORATED

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FOR THE QUARTER ENDED JUNE 30, 2012

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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, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 63,654	$ 18,833
Short-term investments	26,821	30,190
Related party accounts receivable	3	14
Prepaid and other current assets	2,482	2,103
Total current assets	92,960	51,140
Property and equipment, net	994	1,310
Restricted cash		196
Other assets	127	127
Total assets	$ 94,081	$ 52,773
LIABILITIES and STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 1,046	$ 1,196
Accrued liabilities	2,943	3,232
Related party payables and accrued liabilities		12
Short-term portion of equipment financing lines		152
Total current liabilities	3,989	4,592
Long-term portion of deferred rent	111	3
Total liabilities	4,100	4,595
Commitments and contingencies		
Stockholders equity:		
Preferred stock, $0.001 par value:		
Authorized: 10,000,000 shares; Issued and outstanding:		
Series A Convertible Preferred Stock 8,070 shares at June 30, 2012 and December 31, 2011;		
Series B Convertible Preferred Stock 23,026 shares at June 30, 2012 and zero shares at December 31, 2011		
Common stock, $0.001 par value:	133	75
Authorized: 245,000,000 shares; Issued and outstanding: 133,478,796 shares at June 30, 2012 and 74,915,739 shares at December 31, 2011		

Additional paid-in capital	517,229	456,610
Accumulated other comprehensive income (loss)	(1)	3
Deficit accumulated during the development stage	(427,380)	(408,510)
Total stockholders equity	89,981	48,178
Total liabilities and stockholders equity	$ 94,081	$ 52,773

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, 2012
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	
Revenues:					
Research and development revenues from related parties	$ 1,095	$ 654	$ 2,271	$ 1,043	$ 53,422
Research and development, grant and other revenues	746	399	1,390	774	7,380
License revenues from related parties					112,935
Total revenues	1,841	1,053	3,661	1,817	173,737
Operating expenses:					
Research and development	8,242	10,513	16,987	19,692	469,459
General and administrative	2,568	4,187	5,624	7,524	149,576
Restructuring charges (reversals)	(13)		(54)		3,588
Total operating expenses	10,797	14,700	22,557	27,216	622,623
Operating loss	(8,956)	(13,647)	(18,896)	(25,399)	(448,886)
Interest and other, net	13	15	26	55	21,480
Loss before income taxes	(8,943)	(13,632)	(18,870)	(25,344)	(427,406)
Income tax benefit					(26)
Net loss	(8,943)	(13,632)	(18,870)	(25,344)	(427,380)
Deemed dividend related to beneficial conversion feature of convertible preferred stock	(1,307)	(2,857)	(1,307)	(2,857)	(4,164)
Net loss allocable to common stockholders	$ (10,250)	$ (16,489)	$ (20,177)	$ (28,201)	$ (431,544)
Net loss per share allocable to common stockholders basic and diluted	$ (0.13)	$ (0.23)	$ (0.26)	$ (0.41)	
Weighted-average number of shares used in computing net loss per share allocable to common stockholders basic and diluted	81,230	71,151	78,656	69,043	
Comprehensive loss	$ (8,942)	$ (13,626)	$ (18,874)	$ (25,325)	$ (427,381)

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, 2012
	June 30, 2012	June 30, 2011	
Cash flows from operating activities:			
Net loss	$ (18,870)	$ (25,344)	$ (427,380)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization of property and equipment	322	813	28,985
(Gain) loss on disposal of equipment	(2)	3	299
Non-cash impairment charges			103
Non-cash restructuring expenses, net of reversals	(54)		638
Non-cash interest expense			504
Non-cash forgiveness of loans to officers			434
Stock-based compensation	1,812	1,492	34,157
Non-cash warrant expense			1,626
Other non-cash expenses			141
Changes in operating assets and liabilities:			
Related party accounts receivable	11	19	(354)
Prepaid and other assets	(379)	(1,006)	(2,637)
Accounts payable	(137)	(41)	1,211
Accrued and other liabilities	(127)	(1,596)	2,779
Related party payables and accrued liabilities	(12)	11	
Deferred revenue		263	
Net cash used in operating activities	(17,436)	(25,386)	(359,494)
Cash flows from investing activities:			
Purchases of investments	(26,888)	(25,138)	(986,343)
Proceeds from sales and maturities of investments	30,253	37,346	939,580
Proceeds from sales of auction rate securities			20,025
Purchases of property and equipment	(20)	(317)	(31,056)
Proceeds from sales of property and equipment	2	3	143
Decrease in restricted cash	196	349	
Issuance of related party notes receivable			(1,146)
Proceeds from repayments of notes receivable			859
Net cash provided by (used in) investing activities	3,543	12,243	(57,938)
Cash flows from financing activities:			
Proceeds from initial public offering, sale of common stock to related party, and public offerings, net of issuance costs	43,687		250,558
Proceeds from draw down of committed equity financing facilities and at-the-market facility, net of commission and issuance costs	2,819	(76)	58,094

Proceeds from other issuances of common stock and warrants, net of issuance costs	39	10,641	18,154
Proceeds from issuance of preferred stock, net of issuance costs	12,321	9,329	154,822
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)	(496)	(24,170)
Net cash provided by financing activities	58,714	19,398	481,086
Net increase in cash and cash equivalents	44,821	6,255	63,654
Cash and cash equivalents, beginning of period	18,833	17,514	
Cash and cash equivalents, end of period	$ 63,654	$ 23,769	$ 63,654

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.

The Company s registration statement for its initial public offering (IPO) was declared effective by the Securities and Exchange Commission (SEC) on April 29, 2004. The Company s common stock commenced trading on the NASDAQ National Market, now the NASDAQ Global Market, on April 29, 2004 under the trading symbol CYTK .

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 $427.4 million since inception and there can be no assurance that the Company will attain profitability. The Company had a net loss of $18.9 million and net cash used in operations of $17.4 million for the six months ended June 30, 2012. Cash, cash equivalents and investments increased to $90.5 million at June 30, 2012 from $49.0 million at December 31, 2011. The Company anticipates that it will continue to have operating losses and will have 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, 2012 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.

The balance sheet at December 31, 2011 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

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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, 2011, as filed with the SEC on March 13, 2012.

Restricted Cash

In accordance with the terms of the Company s former line of credit agreement with General Electric Capital Corporation (GE Capital), the Company was obligated to maintain a certificate of deposit with the lender. In January 2012, GE Capital reduced the amount of the Company s certificate of deposit. In April 2012, following the Company s final payment of the remaining loan balance in March 2012, GE Capital returned the remaining balance of the certificate of deposit to the Company.

The balance of the certificate of deposit, which the Company classified as restricted cash, was as follows (in thousands):

	June 30, 2012	December 31, 2011
Certificate of deposit classified as restricted cash	$	$ 196

Note 2. Net Loss Per Share

Basic net loss per share allocable to common stockholders is computed by dividing net loss 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, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Net loss	$ (8,943)	$ (13,632)	$ (18,870)	$ (25,344)
Deemed dividend related to beneficial conversion feature of convertible preferred stock	(1,307)	(2,857)	(1,307)	(2,857)
Net loss allocable to common stockholders	$ (10,250)	$ (16,489)	$ (20,177)	$ (28,201)
Weighted-average common shares outstanding (weighted average number of shares used in computing net loss per share allocable to common stockholders) basic and diluted	81,230	71,151	78,656	69,043
Net loss per common share allocable to common stockholders basic and diluted	$ (0.13)	$ (0.23)	$ (0.26)	$ (0.41)

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, 2012	June 30, 2011
Options to purchase common stock	11,285	9,978
Warrants to purchase common stock	54,053	10,238
Series A convertible preferred stock (as converted to common stock)	8,070	8,070
Series B convertible preferred stock (as converted to common stock)	23,026	
Restricted stock units	2,844	
Shares issuable related to the ESPP	49	54

Total shares	99,327	28,340

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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, 2012
	June 30, 2012	June 30, 2011	
Significant non-cash investing and financing activities:			
Deferred stock-based compensation	$	$	$ 6,940
Purchases of property and equipment through accounts payable		39	
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)

Pursuant to its collaboration and option agreement with Amgen, the Company has recognized research and development revenue from Amgen for reimbursements of its costs of full-time employee equivalents (FTEs) supporting the research and development program for omecamtiv mecarbil and related compounds, and for reimbursements of other costs related to that 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, 2012	June 30, 2011	June 30, 2012	June 30, 2011
FTE reimbursements	$ 1,095	$ 637	$ 2,268	$ 1,001
Reimbursements of other costs		17	3	42
Total research and development revenues from Amgen	1,095	654	2,271	1,043
Total revenue from Amgen	$ 1,095	$ 654	$ 2,271	$ 1,043

Related party accounts receivable from Amgen were as follows (in thousands):

	June 30, 2012	December 31, 2011
Related party accounts receivable Amgen	$ 3	$ 14

GlaxoSmithKline (GSK)

Related party payables and accrued liabilities due to GSK were as follows (in thousands):

		June 30, 2012	December 31, 2011
Related party payables and accrued liabilities	GSK	$	$ 11

Note 5. Other Research and Development Revenue Arrangements

Grant

The Company has a grant from the National Institute of Neurological Disorders and Stroke (NINDS) to support research and development of tirasemtiv (formerly CK-2017357) directed to the potential treatment of myasthenia gravis. Management has determined that the Company is the principal participant in the grant arrangement, and, accordingly, the Company records amounts earned under the arrangement as revenue. The Company recognized grant revenue under this grant arrangement as follows (in thousands):

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	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
NINDS myasthenia gravis	$ 334	$ 399	$ 632	$ 774

Other

In October 2011, as part of an initiative to seek certain more focused collaborations intended to allow us to offset our research costs, the Company entered into an agreement with Global Blood Therapeutics, Inc., (formerly called Global Blood Targeting, Inc.) an early-stage biopharmaceutical company. Under an agreed research plan, scientists from Global Blood Therapeutics and our FTEs conduct research focused on small molecule therapeutics that target the blood. The Company provides to Global Blood Therapeutics access to certain research facilities, 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 Global Blood Therapeutics as research and development revenue. Research and development revenue from Global Blood Therapeutics was as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Expense reimbursements from Global Blood Therapeutics	$ 412	$	$ 758	$

Note 6. Cash Equivalents and Investments

The amortized cost and fair value of cash equivalents and available for sale investments at June 30, 2012 and December 31, 2011 were as follows (in thousands):

		June 30, 2012				
		Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Maturity Dates
Cash equivalents	money market funds	$ 59,533	$	$	$ 59,533	
Cash equivalents	U.S. Treasury securities	$ 252	$	$	$ 252	8/2012
Short-term investments	U.S. Treasury securities	$ 26,822	$	$ (1)	$ 26,821	7/2012-1/2013

		December 31, 2011				
		Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Maturity Dates
Cash equivalents	money market funds	$ 13,650			$ 13,650	
Short-term investments	U.S. Treasury securities	$ 30,187	$ 4	$ (1)	$ 30,190	1/2012 6/2012

Unrealized losses on the Company s investments were as follows (in thousands):

	June 30, 2012	December 31, 2011
Unrealized losses on U.S. Treasury securities classified as short-term investments	$ 1	$ 1

The unrealized losses in both periods were primarily caused by slight increases in short-term interest rates subsequent to the purchase date of the related securities. The Company collected the contractual cash flows on its U.S. Treasury securities that matured from January 1, 2012 through August 3, 2012, and expects to be able to collect all contractual cash flows on the remaining maturities of its U.S. Treasury securities.

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Interest income was as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Interest income	$ 8	$ 27	$ 22	$ 78

Note 7. Fair Value Measurements

The Company follows 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 June 30, 2012 and December 31, 2011 were classified in one of the three categories described above as follows (in thousands):

	June 30, 2012			
	Fair Value Measurements Using			Assets
	Level 1	Level 2	Level 3	At Fair Value
Money market funds	$ 59,533	$	$	$ 59,533
U.S. Treasury securities	27,073			27,073
Total	$ 86,606	$	$	$ 86,606
Amounts included in:				
Cash and cash equivalents	$ 59,785	$	$	$ 59,785
Short-term investments	26,821			26,821
Total	$ 86,606	$	$	$ 86,606

	December 31, 2011			
	Fair Value Measurements Using			Assets
	Level 1	Level 2	Level 3	At Fair Value
Money market funds	$ 13,650	$	$	$ 13,650
U.S. Treasury securities	30,190			30,190
Total	$ 43,840	$	$	$ 43,840
Amounts included in:				
Cash and cash equivalents	$ 13,650	$	$	$ 13,650
Short-term investments	30,190			30,190
Total	$ 43,840	$	$	$ 43,840

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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.

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 8. Restructuring

In October 2011, the Company announced a restructuring plan to realign its workforce and operations in line with its continued commitment to focus primarily on the development of its key later-stage development programs for tirasemtiv and omecamtiv mecarbil and on its follow-on skeletal muscle troponin activator program and joint research with Amgen directed to next-generation compounds in its cardiac muscle contractility program. As a result, the Company reduced its workforce by 18 employees, or approximately 18%, to 83 employees. The Company provided severance, employee benefit continuation and career transition assistance to the employees directly affected by the restructuring. The Company incurred restructuring charges of $1.2 million in the fourth quarter of 2011, primarily personnel-related termination costs. The following table summarizes the activity for the restructuring plan in 2012 (in thousands):

	Employee Severance and Related Benefits
Restructuring liability at December 31, 2011	$ 194
Charges (reversals of charges) quarter ended March 31, 2012	(41)
Charges (reversals of charges) quarter ended June 30, 2012	(13)
Cash payments	(128)
Restructuring liability at June 30, 2012	$ 12

Note 9. Stockholders Equity (Deficit)

June 2012 Public Offerings

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 various investors (i) 55,921,054 shares of common stock for a purchase price of $0.76 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 47,368,225 shares of the Company s common stock at an exercise price of $0.88 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 for five years until June 25, 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 $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 $0.63. As of June 30, 2012, all of the warrants were outstanding and exercisable.

Each share of Series B Preferred Stock is convertible into 1,000 shares of common stock at any time at the holder s option. However, the holder is 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 will 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 are not entitled to receive any dividends, unless and until specifically declared by the Company s board of directors. The Series B Preferred Stock ranks senior to the Company s common stock and on parity with the Company s Series A convertible preferred 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 rank 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.

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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 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.

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.

MLV

On June 10, 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 may issue and sell shares of common stock having an aggregate offering price of up to $20.0 million or 14,383,670 shares, whichever occurs first, from time to time through MLV as the sales agent. The issuance and sale of shares by the Company under the MLV Agreement, if any, are subject to the continued effectiveness of the Company s registration statement on Form S-3, which was declared effective by the SEC on June 23, 2011 (File No. 333-174869).

The Company issued shares through MLV as follows (dollars in thousands):

	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012
Shares issued through MLV in 2012		2,596,341
Net proceeds of shares issued through MLV in 2012	$	$ 2,819

On a cumulative basis, the Company has issued the following through MLV (dollars in thousands):

	Through June 30, 2012
Shares issued through MLV	5,175,549
Net proceeds of shares issued through MLV	$ 5,324

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Stock Option Plans

Stock option activity for the six months ended June 30, 2012 under the Company s 2004 Equity Incentive Plan, as amended, and the Company s 1997 Stock Option/Stock Issuance Plan was as follows:

	Shares Available for Grant of Options or Awards	Stock Options Outstanding	Weighted Average Exercise Price per Share of Stock Options
Balance at December 31, 2011	3,511,007	9,591,664	$ 3.66
Increase in authorized shares	2,500,000		
Options granted	(2,379,607)	2,379,607	$ 1.03
Options exercised			
Options forfeited/expired	686,359	(686,359)	$ 3.28
Restricted stock units forfeited	262,000		
Balance at June 30, 2012	4,579,759	11,284,912	$ 3.12

Restricted stock unit activity for the six months ended June 30, 2012 was as follows:

	Number of Shares	Weighted Average Award Date Fair Value per Share
Restricted stock units outstanding at December 31, 2011	3,105,500	$ 1.13
Restricted stock units forfeited	(262,000)	1.13
Unvested restricted stock units outstanding at June 30, 2012	2,843,500	$ 1.13

Note 10. Interest and Other, Net

Components of Interest and other, net were as follows (in thousands):

	Three Months Ended		Six Months Ended		Period from August 5, 1997 (date of inception) to June 30, 2012
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	
Interest income and other income	$ 13	$ 29	$ 28	$ 83	$ 29,040
Interest expense and other expense		(14)	(2)	(28)	(5,975)
Warrant expense					(1,585)
Interest and other, net	$ 13	$ 15	$ 26	$ 55	$ 21,480

Interest income and other income primarily consisted of interest income generated from the Company s cash, cash equivalents and investments. Interest expense and other expense primarily consisted of interest expense on borrowings under the Company s equipment financing lines through March 31, 2012 and on its loan agreement with UBS Bank USA and UBS Financial Services Inc. through June 30, 2010.

Warrant expense for the period from inception to June 30, 2012 was related to the change in the fair value of the warrant liability that was recorded in connection with the Company s registered direct equity offering in May 2009.

Note 11. Income Taxes

The Company follows the accounting guidance established by the Financial Accounting Standards Board (FASB) which 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.

The Company files income tax returns with the United States Internal Revenue Service (IRS) and the state of California. For jurisdictions in which tax filings are made, the Company is subject to income tax examination for all fiscal years since inception. The tax year 2009 is currently under an examination by the IRS s Large Business and International Division. The Company believes that it maintains adequate reserves for uncertain tax positions.

Subsequent to the June 2012 Public Offerings, the Company has begun a process of reviewing and concluding on its Internal Revenue Code Section 382 ownership shift analysis. On a preliminary basis, based on the current Form 13D/G

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filings with the SEC, the Company does not believe an ownership change occurred as of June 30, 2012. The Company will continue to monitor these public filings to assess residual impacts to the shift percentage in ownership during the next quarter.

Note 12. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In June 2011, the FASB issued new accounting guidance that revised the manner in which entities present comprehensive income in their financial statements. The new guidance requires entities to present comprehensive income either in a continuous statement of comprehensive income, which replaces the statement of operations, or in two separate, consecutive statements. The new guidance does not change the items that must be reported in other comprehensive income, nor does it require new disclosures. The Company s adoption of the new guidance on January 1, 2012 did not have a material impact on its financial position or results of operations.

In May 2011, the FASB issued updated accounting guidance on fair value measurements and disclosures. The new guidance primarily includes clarifications of existing guidance and certain changes to conform to International Financial Reporting Standards. The Company s adoption of the new guidance on January 1, 2012 did not have a material impact on its financial position or results of operations.

Accounting Pronouncements Not Yet Adopted

None.

Note 13. Subsequent Events

None.

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ITEM 2. 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.

This report contains forward-looking statements that are based upon current expectations within the meaning of the Private Securities Litigation Reform Act of 1995. We intend that such statements be protected by the safe harbor created thereby. Forward-looking statements involve risks and uncertainties and our actual results and the timing of events may differ significantly from the results discussed in the forward-looking statements. Examples of such forward-looking statements include, but are not limited to, statements about or relating to:

guidance concerning revenues, research and development expenses and general and administrative expenses for 2012;

the sufficiency of existing resources to fund our operations for at least the next 12 months;

our capital requirements and needs for additional financing;

the initiation, design, conduct, enrollment, progress, timing and scope of clinical trials and development activities for our drug candidates and potential drug candidates conducted by ourselves or our partner, Amgen Inc., including the anticipated timing for initiation of clinical trials and anticipated dates of data becoming available or being announced from clinical trials;

the results from the clinical trials and non-clinical and preclinical studies of our drug candidates and other compounds, and the significance and utility of such results;

anticipated interactions with regulatory authorities regarding the clinical development of tirasemtiv (formerly CK-2017357) and the potential outcomes of such interactions;

our anticipated filing of an investigational new drug application (IND) for CK-2127107 with the U.S. Food and Drug Administration (FDA);

our and Amgen s plans or ability to conduct the continued research and development of our drug candidates and other compounds;

our plans to seek one or more strategic partners to develop and commercialize our skeletal sarcomere activators, such as tirasemtiv and CK-2127107, and our smooth muscle myosin inhibitors;

our expected roles in research, development or commercialization under our strategic alliances, such as with Amgen;

the properties and potential benefits of, and the potential market opportunities for, our drug candidates and other compounds, including the potential indications for which they may be developed;

the sufficiency of the clinical trials conducted with our drug candidates to demonstrate that they are safe and efficacious;

our receipt of milestone payments, royalties, reimbursements and other funds from current or future partners under strategic alliances and sponsored research arrangements, such as with Amgen;

our ability to continue to identify additional potential drug candidates that may be suitable for clinical development;

our plans or ability to commercialize drugs with or without a partner, including our intention to develop sales and marketing capabilities;

the focus, scope and size of our research and development activities and programs;

the utility of our focus on the cytoskeleton and our ability to leverage our experience in muscle contractility to other muscle functions;

our ability to protect our intellectual property and to avoid infringing the intellectual property rights of others;

expected future sources of revenue and capital;

losses, costs, expenses and expenditures;

future payments under loan and lease obligations and equipment financing lines;

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potential competitors and competitive products;

retaining key personnel and recruiting additional key personnel;

expected future amortization of employee stock-based compensation; and

the potential impact of recent accounting pronouncements on our financial position or results of operations.

Such forward-looking statements involve risks and uncertainties, including, but not limited to, those risks and uncertainties relating to:

Amgen s decisions with respect to the timing, design and conduct of research and development activities for omecamtiv mecarbil, including decisions to postpone or discontinue research or development activities relating to omecamtiv mecarbil;

our ability to enter into partnership agreements for any of our programs on acceptable terms and conditions or in accordance with our planned timelines;

our receipt of funds and access to other resources under our current or future strategic alliances or sponsored research arrangements;

difficulties or delays in the development, testing, production or commercialization of our drug candidates;

difficulties or delays in or slower than anticipated patient enrollment in our or Amgen s clinical trials;

adverse side effects, including potential drug-drug interactions, or inadequate therapeutic efficacy of our drug candidates that could slow or prevent product approval (including the risk that current and past results of preclinical research or non-clinical or clinical development may not be indicative of future clinical trials results);

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

the possibility that the FDA or foreign regulatory agencies may delay or limit our or our partners ability to conduct clinical trials or may delay or withhold approvals for the manufacture and sale of our products;

activities and decisions of, and market conditions affecting, current and future strategic partners;

the availability of funds under our grant from the National Institute of Neurological Disorders and Stroke (NINDS) in future periods;

our ability to issue and sell shares of our common stock under our At-The-Market Issuance Sales Agreement with McNicoll, Lewis & Vlak LLC;

our ability to obtain additional financing on acceptable terms, if at all;

changing standards of care and the introduction of products by competitors or alternative therapies for the treatment of indications we target that may make our drug candidates commercially unviable;

changes in laws and regulations applicable to drug development, commercialization or reimbursement;

the uncertainty of protection for our intellectual property, whether in the form of patents, trade secrets or otherwise; and

potential infringement or misuse by us of the intellectual property rights of third parties.

In addition such statements are subject to the risks and uncertainties discussed in the Risk Factors section and elsewhere in this document. Operating results reported are not necessarily indicative of results that may occur in future periods.

When used in this report, unless otherwise indicated, Cytokinetics, the Company, we, our and us refers to Cytokinetics, Incorporated.

CYTOKINETICS, and our logo used alone and with the mark CYTOKINETICS, are registered service marks and trademarks of Cytokinetics. Other service marks, trademarks and trade names referred to in this report are the property of their respective owners.

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

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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 current research and development programs relating to the biology of muscle function are directed to small molecule modulators of the contractility of cardiac, skeletal and smooth muscle.

Our drug candidates currently in clinical development include omecamtiv mecarbil for the potential treatment of heart failure and tirasemtiv for the potential treatment of diseases or medical conditions associated with skeletal muscle weakness or wasting. We are also advancing a structurally distinct, fast skeletal muscle sarcomere activator, CK-2127107, in non-clinical studies intended to enable the filing of an IND with the FDA. In addition, we are conducting preclinical research on compounds that inhibit smooth muscle contractility. These compounds may be useful as potential treatments for diseases and conditions complicated by bronchoconstriction, such as asthma and chronic obstructive pulmonary disease.

Muscle Contractility Programs

Cardiac Muscle Contractility

Our lead drug candidate from this program is omecamtiv mecarbil, a novel cardiac muscle myosin activator. In December 2006, we entered into a collaboration and option agreement with Amgen to discover, develop and commercialize novel small molecule therapeutics that activate cardiac muscle contractility for potential applications in the treatment of heart failure, including omecamtiv mecarbil. In May 2009, Amgen exercised its option under this agreement to obtain an exclusive license worldwide, except Japan, to develop and commercialize omecamtiv mecarbil and other drug candidates arising from the collaboration, and subsequently paid us an option exercise fee of $50.0 million. As a result, Amgen is now responsible for the development and commercialization of omecamtiv mecarbil and related compounds, at its expense worldwide, except Japan, subject to our development and commercialization participation rights. Under the agreement, Amgen will reimburse us for agreed research and development activities we perform. The agreement provides for potential pre-commercialization and commercialization milestone payments of up to $600.0 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 agreement also provides for us to receive increased royalties by co-funding Phase III development costs of drug candidates under the collaboration. If we elect to co-fund such costs, we would be entitled to co-promote omecamtiv mecarbil in North America and participate in agreed commercialization activities in institutional care settings, at Amgen s expense.

We expect omecamtiv mecarbil to be developed as a potential treatment across the continuum of care for heart failure both as an intravenous formulation for the treatment of patients hospitalized with acutely decompensated heart failure and as an oral formulation for chronic administration.

In May 2012, the second cohort of an international, randomized, double-blind, placebo-controlled Phase IIb clinical trial designed to evaluate the safety and efficacy of an intravenous formulation of omecamtiv mecarbil in patients with left ventricular systolic dysfunction hospitalized with acutely decompensated heart failure was opened to enrollment. Following a review of the data from the first cohort in this clinical trial, in which over 200 patients were enrolled, the independent data monitoring committee concluded that the safety data supported progression to the second cohort of this trial. This trial, known as ATOMIC-AHF (Acute Treatment with Omecamtiv Mecarbil to Increase Contractility in Acute Heart Failure), is sponsored by Amgen in collaboration with Cytokinetics. A decision regarding the potential progression from the second cohort to the third cohort of this clinical trial is anticipated in the fourth quarter of 2012, following a review of data from the second cohort by the independent data monitoring committee.

In February 2012, Amgen initiated a randomized, open-label, four-period cross-over Phase I study designed to assess the safety, tolerability and pharmacokinetics of multiple oral formulations of omecamtiv mecarbil in healthy volunteers. Based on the review of these data, the companies have selected oral formulations of omecamtiv mecarbil from this Phase I trial that they believe warrant further evaluation in patients with heart failure. We anticipate collaborating with Amgen in the second half of 2012 in the finalization of a protocol for a Phase II clinical trial of oral formulations of omecamtiv mecarbil in patients with heart failure. In addition, the companies anticipate making other preparations for the potential initiation of this Phase II clinical trial.

We are conducting joint research activities with Amgen under a research plan, intended to be conducted through 2012, directed to next-generation compounds in our cardiac muscle contractility program. Under our collaboration agreement, Amgen will reimburse us for the agreed research activities we perform.

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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. 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 $2.2 million and $1.1 million in the first half of 2012 and 2011, respectively. We recognized research and development revenue from Amgen of $2.3 million and $1.0 million in the first half of 2012 and 2011, respectively, consisting of reimbursements of full-time employee equivalent (FTE) 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.

Skeletal Muscle Contractility

Tirasemtiv, formerly known as CK-2017357, is the lead drug candidate from this program. We are also advancing a potential drug candidate from this program, CK-2127107, in non-clinical studies intended to enable the filing of an IND. Tirasemtiv and CK-2127107 are structurally distinct and selective small molecule activators of the fast skeletal muscle sarcomere. CK-2127107 arose from our optimization of a different chemical series than that which produced tirasemtiv. These compounds activate the fast skeletal muscle troponin complex by increasing its sensitivity to calcium, leading to an increase in skeletal muscle contractility. We are evaluating the potential indications for which tirasemtiv and CK-2127107 may be useful.

Each of tirasemtiv and CK-2127107 has demonstrated encouraging pharmacological activity in preclinical models. In addition, with respect to tirasemtiv, evidence of potentially clinically relevant pharmacodynamic effects has been observed in healthy volunteers, in patients with amyotrophic lateral sclerosis (ALS), and in patients with peripheral artery disease and claudication.

Tirasemtiv: ALS. Tirasemtiv has received an orphan drug designation from the FDA for the potential treatment of ALS. In March 2012, tirasemtiv received an orphan medicinal product designation from the European Medicines Agency for the potential treatment of ALS. In April 2012, tirasemtiv received a fast track designation from the FDA for the potential treatment of ALS.

In June 2012, we announced the publication of our Phase IIa evidence of effect clinical trial of tirasemtiv (CY 4021) in the online edition of the journal Amyotrophic Lateral Sclerosis.

In April 2012, at the American Academy of Neurology (AAN) 64th Annual Meeting, data was presented from both Parts A and B of CY 4024, a Phase II, two-part, randomized, double-blind, placebo-controlled, multiple-dose, safety, tolerability, pharmacokinetic and pharmacodynamic clinical trial of tirasemtiv in patients with ALS. Patients in Part A of this trial were not taking riluzole; patients in Part B received riluzole at the reduced dose of 50 mg daily. In this trial, tirasemtiv appeared to be generally safe and well-tolerated when dosed daily at 125 mg, 250 mg, and 375 mg once daily for two weeks. Encouraging dose-related trends were observed in ALS Functional Rating Scale in its revised form, or ALSFRS-R (a clinically validated instrument designed to measure disease progression and changes in functional status) and maximum voluntary ventilation, or MVV (a clinical assessment of pulmonary function and endurance). As expected, plasma concentrations of tirasemtiv were unaffected by co-administration with riluzole, while riluzole levels increased during co-administration with tirasemtiv. Adverse events and clinical assessments during treatment with tirasemtiv appeared similar, with or without co-administration of riluzole. Dizziness, the most commonly reported adverse event, was mostly mild and generally began and resolved early after initiating treatment.

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Also in April 2012 at the AAN Annual Meeting, data was presented from CY 4025, a Phase II, randomized, double-blind, placebo-controlled, multiple-dose, clinical trial of tirasemtiv in patients with ALS receiving riluzole at the reduced dose of 50 mg daily. In this trial, the twice-daily dose-titration regimen of tirasemtiv appeared to be generally safe and well-tolerated; the majority of patients were titrated successfully to a tirasemtiv dose level of 250 mg twice daily. Encouraging trends toward functional improvements were observed in patients receiving tirasemtiv versus those receiving placebo. In this trial, tirasemtiv treatment was associated with increases in the ALSFRS-R that were similar in direction, and in MVV that were similar in both direction and magnitude, to those observed in CY 4024.

During the second quarter of 2012, we submitted a proposed clinical trial protocol to the FDA for a Phase IIb trial designed to evaluate the longer-term safety, tolerability and efficacy of tirasemtiv in patients with ALS. The trial, called CY 4026, is intended to be an international, randomized, double-blind, placebo-controlled, dose-titration, clinical trial of tirasemtiv dosed twice-daily in patients with ALS. The trial is designed to enroll approximately 400 patients who are expected to receive tirasemtiv or placebo for three months. The proposed primary endpoint is the ALSFRS-R. Proposed secondary endpoints include MVV. Also during the second quarter, we met with the European Medicines Agency Scientific Advice Working Party to seek advice and protocol assistance in connection with our interest in further expanding the clinical development program for tirasemtiv to include countries in Europe.

Tirasemtiv: Myasthenia Gravis. We continue to enroll and dose patients in our Phase IIa evidence of effect clinical trial of tirasemtiv in patients with generalized myasthenia gravis (CY 4023). This clinical trial, initiated in January 2011, is being funded by a $2.8 million grant from the National Institute of Neurological Disorders and Stroke (NINDS). Patients will receive single oral double-blind doses of placebo and tirasemtiv at 250 mg and 500 mg, each administered in random order approximately one week apart. The primary objective of this trial is to assess the effects of tirasemtiv on measures of muscle strength, muscle fatigue and pulmonary function in these patients. The secondary objectives of this clinical trial are to evaluate and characterize the relationship, if any, between the doses and plasma concentrations of tirasemtiv and its pharmacodynamic effects; to evaluate the safety and tolerability of tirasemtiv administered as single doses to patients with myasthenia gravis; and to evaluate the effect of tirasemtiv on investigator- and patient-determined global functional assessment and the Modified MG Symptom Score, an assessment combining patient reports and physician evaluations to assess the severity of symptoms due to myasthenia gravis. We anticipate that data from this clinical trial will be available in the second half of 2012.

The NINDS grant was awarded to us in 2010 under the American Recovery and Reinvestment Act of 2009, and was intended to support for three years our research and development of tirasemtiv for the potential treatment of myasthenia gravis. We recognized revenue under this grant arrangement of $0.6 million and $0.8 million in the first half of 2012 and 2011, respectively, which we recorded as research and development, grant and other revenues.

CK-2127107. We continue to conduct non-clinical studies of CK-2127107 intended to support an IND or foreign equivalent. We anticipate filing an IND or foreign equivalent for CK-2127107 by the end of 2012.

Preclinical Research. At the April 2012 AAN Annual Meeting, we presented results from a preclinical study designed to examine the effects of tirasemtiv in SOD1 mutant transgenic mice, a model of ALS in humans. Company scientists concluded that mice treated with tirasemtiv maintained hind limb grip strength during disease progression and that tirasemtiv increased muscle strength of a nerve-muscle pair in situ. There appeared to be a delay in the time to a pre-specified humane endpoint in the tirasemtiv-treated mice compared to the age-matched control SOD1 mice. The authors concluded that the preclinical findings support the hypothesis that tirasemtiv may benefit patients with ALS by increasing force generation in fast skeletal muscle fibers.

Tirasemtiv and CK-2127107 are at too early a stage of development for us to predict if or when we will be in a position to generate any revenues or material net cash flows from the potential commercialization of these compounds. We currently fund all research and development costs associated with our skeletal muscle contractility program. We recorded research and development expenses for activities relating to our skeletal muscle contractility program of approximately $11.4 million and $12.9 million in the first half of 2012 and 2011, respectively. 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.

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Smooth Muscle Contractility

Our smooth muscle contractility program is focused on the discovery and development of small molecule smooth muscle myosin inhibitors, which may be useful as potential treatments for diseases and conditions associated with excessive smooth muscle contraction, and leverages our expertise in muscle function and its application to drug discovery. Our inhaled smooth muscle myosin inhibitors have demonstrated pharmacological activity in preclinical models of bronchoconstrictive diseases and may have applications for indications such as asthma or chronic obstructive pulmonary disease. Our smooth muscle myosin inhibitors, administered orally or intravenously, have also demonstrated pharmacological activity in preclinical models of vascular constriction. We continue to conduct preclinical research on compounds from this program.

Our smooth muscle myosin inhibitors are at too early a stage of development for us to predict if or when we will be in a position to generate any revenues or material net cash flows from their commercialization. We currently fund all research and development costs associated with this program. We recorded research and development expenses for activities relating to our smooth muscle contractility program of approximately $1.5 million and $2.8 million in the first half of 2012 and 2011, respectively. We anticipate that our expenditures relating to the research and development of compounds in our smooth muscle contractility program will increase significantly if and as we advance compounds from this program into and through development.

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:

- decisions made by Amgen with respect to the development of omecamtiv mecarbil;
- our potential inability to obtain the additional funding necessary for us to conduct a registration program for tirasemtiv for the potential treatment of ALS;
- the uncertainty of the timing of the initiation and completion of patient enrollment and treatment in our 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;
- 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;
- 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;

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

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

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 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.

Restructuring

In October 2011, we announced a restructuring plan to realign our workforce and operations in line with our continued

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commitment to focus primarily on the development of our key later-stage development programs for tirasemtiv and omecamtiv mecarbil and on our follow-on skeletal muscle troponin activator program and joint research with Amgen directed to next-generation compounds in our cardiac muscle contractility program. As a result, we reduced our workforce by 18 employees, or approximately 18%, to 83 employees. We provided severance, employee benefit continuation and career transition assistance to the employees directly affected by the restructuring. We incurred restructuring charges of $1.2 million in the fourth quarter of 2011, primarily personnel-related termination costs. As of June 30, 2012, we had a remaining accrued restructuring liability of $12 thousand, which we expect to settle in cash by October 31, 2012.

Results of Operations

Revenues

We recorded total revenues of $1.8 million and $1.1 million for the second quarter of 2012 and 2011, respectively, and $3.7 million and $1.8 million for the first half of 2012 and 2011, respectively.

Research and development revenues from related parties for the second quarter and first half of 2012 and 2011 consisted of research and development revenues from our strategic collaboration with Amgen. Research and development revenues from Amgen were $1.1 million and $0.7 million for the second quarter of 2012 and 2011, respectively, and consisted of reimbursements of FTE expenses and other research and development expenses. Research and development revenues from Amgen were $2.3 million and $1.0 million for the first half of 2012 and 2011, respectively, and in both periods consisted of reimbursements of FTE expenses and other research and development expenses. The research activities under our collaboration with Amgen are anticipated to continue through December 2012.

Research and development, grant and other revenues were $0.7 million and $0.4 million for the second quarter of 2012 and 2011, respectively. Research and development, grant and other revenues in the second quarter of 2012 and 2011 included grant revenue from the NINDS of $0.3 million and $0.4 million, respectively, and research and development revenue from Global Blood Therapeutics, Inc. of $0.4 million and zero, respectively. Research and development, grant and other revenues in the first half of 2012 and 2011 included grant revenue from the NINDS of $0.6 million and $0.8 million, respectively and research and development revenue from Global Blood Therapeutics of $0.8 million and zero, respectively. In April 2012, we extended our agreement with Global Blood Therapeutics through December 2012.

We anticipate that revenue for the full year 2012 will be in the range of $5.0 million to $7.0 million.

Research and Development Expenses

Research and development expenses were $8.2 million and $10.5 million in the second quarter of 2012 and 2011, respectively. The $2.3 million decrease in research and development expenses in the second quarter of 2012, compared to the same period in 2011, was primarily due to decreases of $1.1 million in outsourced clinical costs, $0.6 million in laboratory expense, $0.4 million in personnel costs and $0.1 million in facilities costs.

Research and development expenses were $17.0 million and $19.7 million in the first half of 2012 and 2011, respectively. The $2.7 million decrease in research and development expenses in the first half of 2012, compared to the same period in 2011, was primarily due to decreases of $1.5 million in laboratory expenses, $0.8 million in personnel-related costs, $0.5 million in outsourced clinical costs and $0.2 million in facilities costs, partially offset by an increase of $0.3 million in outsourced pre-clinical costs.

From a program perspective, the $2.3 million decrease in spending in the second quarter of 2012, compared to the same period in 2011, was due to decreases of $1.5 million for our skeletal muscle contractility program, $0.8 million for our smooth muscle contractility program and $0.4 million for our other research programs, partially offset by increased spending of $0.4 million for our cardiac muscle contractility program. For the first half of 2012 compared to the first half of 2011, the $2.7 million decrease in research and development expenses was due to decreases of $1.5 million for our skeletal muscle contractility program, $1.3 million for our smooth muscle contractility program and $1.0 million for our other research programs, partially offset by increased spending of $1.1 million for our cardiac muscle contractility program.

Research and development expenses incurred were related to the following programs (in millions):

	Three Months Ended	Six Months Ended

	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Cardiac muscle contractility	$ 1.0	$ 0.6	$ 2.2	$ 1.1
Skeletal muscle contractility	5.5	7.0	11.4	12.9
Smooth muscle contractility	0.7	1.5	1.5	2.8
All other research programs	1.0	1.4	1.9	2.9
Total research and development expenses	$ 8.2	$ 10.5	$ 17.0	$ 19.7

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Clinical development timelines, 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 second half of 2012 compared to the same period in 2011. 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. We expect to continue development of our drug candidate tirasemtiv and our potential drug candidate CK-2127107 for the potential treatment of diseases and medical conditions associated with muscle weakness or wasting. We expect to continue preclinical research on our smooth muscle myosin inhibitor compounds, which may be useful for the potential treatment of diseases and medical conditions associated with bronchoconstriction or vasoconstriction. We anticipate that research and development expenses in 2012 will be in the range of $42.0 million to $46.0 million. Non-cash expenses such as stock-based compensation and depreciation of approximately $2.0 million are included in our estimate of 2012 research and development expenses.

General and Administrative Expenses

General and administrative expenses were $2.6 million and $4.2 million in the second quarter of 2012 and 2011, respectively. The $1.6 million decrease in the second quarter of 2012, compared to the same period in 2011, was primarily due to decreases of $0.7 in financial services costs, $0.4 million in legal expenses, $0.3 million in personnel expenses and $0.2 million in facilities costs. General and administrative expenses were $5.6 million and $7.5 million in the first half of 2012 and 2011, respectively. The $1.9 million decrease in the first half of 2012, compared to the same period in 2011, was primarily due to decreases of $0.7 million in financial services costs, $0.6 million in personnel expenses, $0.3 million in legal costs and $0.3 million in facilities costs.

We expect that general and administrative expenses in 2012 will remain at approximately the same level as in 2011. We anticipate that general and administrative expenses will be in the range of $12.0 million to $14.0 million. Non-cash expenses such as stock-based compensation and depreciation of approximately $2.0 million are included in our estimate of 2012 general and administrative expenses.

Interest and Other, Net

Interest income and other income decreased in the second quarter and first half of 2012 compared to the same periods in 2011, due to lower average effective interest rates and lower average invested balances.

Interest expense and other expense decreased in the second quarter and first half of 2012 compared to the same periods in 2011, due to lower interest expense on our equipment financing debt. We repaid the remaining outstanding equipment financing debt in March 2012.

Income Taxes

We follow the accounting guidance established by the Financial Accounting Standards Board (FASB) which 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.

We file income tax returns with the United States 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. The tax year 2009 is currently under an examination by the IRS s Large Business and International Division. We believe that we maintain adequate reserves for uncertain tax positions.

Subsequent to the June 2012 Public Offerings, we have begun a process of reviewing and concluding on our Internal Revenue Code Section 382 ownership shift analysis. On a preliminary basis, based on the current Form 13D/G filings with the SEC, we do not believe an ownership change occurred as of June 30, 2012. We will continue to monitor these public filings to assess residual impacts to the shift percentage in ownership during the next quarter.

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Critical Accounting Policies

The accounting policies that we consider to be our most critical (i.e., those that are most important to the portrayal of our financial condition and results of operations and that require our most difficult, subjective or complex judgments), the effects of those accounting policies applied and the judgments made in their application are summarized in *Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates* in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. There has been no material change to our critical accounting policies since then.

Recent Accounting Pronouncements

See Note 12, Recent Accounting Pronouncements in the Notes to Unaudited Condensed 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.

Liquidity and Capital Resources

From August 5, 1997, our date of inception, through June 30, 2012, we funded our operations through the sale of equity securities, equipment financings, non-equity payments from collaborators, government grants and interest income.

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) 55,921,054 shares of common stock for a purchase price of $0.76 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 47,368,225 shares of our common stock at an exercise price of $0.88 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 for five years until June 25, 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 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 $0.63. As of June 30, 2012, all of the warrants were outstanding and exercisable.

Each share of Series B Preferred Stock is convertible into 1,000 shares of common stock at any time at the holder s option. However, the holder is 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 our liquidation, dissolution, or winding up, holders of Series B Preferred Stock will 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 are not entitled to receive any dividends, unless and until specifically declared by our board of directors. The Series B Preferred Stock ranks senior to our common stock and on parity with our Series A convertible preferred stock as to distributions of assets upon our liquidation, dissolution or winding up, whether voluntarily or involuntarily. The Series B Preferred Stock may rank senior to, on parity with or junior to any class or series of the our stock created in the future depending upon the specific terms of such future stock issuance.

The 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 offerings took place on June 25, 2012.

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. 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.

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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 may issue and sell shares of common stock having an aggregate offering price of up to $20.0 million or 14,383,670 shares, whichever occurs first, from time to time through MLV as the sales agent. Our issuance and sale of shares under the MLV Agreement, if any, are subject to the continued effectiveness of our registration statement on Form S-3, which was declared effective by the SEC on June 23, 2011 (File No. 333-174869). During the period from January 1, 2012 through August 3, 2012, we issued 2,596,341 shares of common stock through MLV for net proceeds of approximately $2.8 million. As of August 3, 2012, we had issued a total of 5,175,549 shares through MLV for total net proceeds of approximately $5.3 million.

Grant

We are eligible to request up to $0.2 million in future grant payments from the National Institute of Neurological Disorders and Stroke, provided we incur eligible research and development costs for tirasemtiv directed to the potential treatment for myasthenia gravis for three years from the grant date.

Other Sources and Uses of Cash

Our cash, cash equivalents and investments totaled $90.5 million at June 30, 2012, up from $49.0 million at December 31, 2011. The increase of $41.5 million was primarily due to net proceeds from the June 2012 Public Offerings and stock issuances through MLV, partially offset by cash used to fund operations.

Net cash used in operating activities was $17.4 million in the first half of 2012 and primarily resulted from the net loss of $18.9 million. Net cash used in operating activities in the first half of 2011 was $25.4 million and primarily resulted from the net loss of $25.3 million.

Net cash provided by investing activities was $3.5 million in the first half of 2012 and primarily consisted of proceeds from the maturity of investments, net of cash used to purchase investments, of $3.4 million. Net cash provided by investing activities in the first half of 2011 was $12.2 million and primarily consisted of proceeds from the maturity of investments, net of cash used to purchase investments, of $12.2 million.

Net cash provided by financing activities was $58.7 million in the first half of 2012 and primarily consisted of net proceeds of $56.0 million from the sale of 55,921,054 shares of common stock and 23,026 shares of Series B Preferred Stock in the June 2012 Public Offerings and net proceeds of $2.8 million from our sale of 2,596,341 shares of common stock through MLV. We repaid the remaining balance of our equipment financing line debt in the March 2012 and no further funds are available to us under this line. Net cash provided by financing activities in the first half of 2011 was $19.4 million and primarily consisted of net proceeds of $19.9 million from our issuance of common and preferred stock and warrants to Deerfield in April 2011.

Shelf Registration Statement. 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 allows 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. As of August 3, 2012, $18.3 million remains available to us under these shelf registration statements. The specific terms of offerings, if any, under these shelf registration statements will be established at the time of such offerings.

As of June 30, 2012, future minimum payments under our loan and lease obligations were as follows (in thousands):

	Within One Year	One to Three Years	Three to Five Years	After Five Years	Total
Operating leases (1)	$ 3,011	$ 6,681	$ 7,177	$ 3,777	$ 20,646

(1)

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

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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 to support the clinical development of our cardiac muscle myosin activator omecamtiv mecarbil for the potential treatment of heart failure and research of potential next-generation compounds as part of our strategic alliance with Amgen. We plan to continue clinical development of our fast skeletal troponin activator tirasemtiv for the potential treatment of diseases and conditions related to skeletal muscle weakness or wasting. We plan to continue to conduct non-clinical development of our fast skeletal troponin activator CK-2127107 and, following clearance of an IND, clinical development. We expect to incur significant research and development expenses as we advance the research and development of compounds from our smooth muscle myosin inhibitor program and other muscle contractility 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 potential drug candidates;
- 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;
- 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 establish sales, marketing or manufacturing 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 $427.4 million since inception and there can be no assurance that we will attain profitability. We are 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 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, government 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, government 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

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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 potential 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

As of June 30, 2012, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not engage in trading activities involving non-exchange traded contracts. Therefore, we are not materially exposed to financing, liquidity, market or credit risk that could arise if we had engaged in these relationships. We do not have relationships or transactions with persons or entities that derive benefits from their non-independent relationship with us or our related parties.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk has not changed materially since our disclosures in Item 7A, Quantitative and Qualitative Disclosures About Market Risk in our Annual Report on Form 10-K for the year ended December 31, 2011.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures

Our management evaluated, with the participation and under the supervision of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded, subject to the limitations described below, that our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosures.

(b) Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(c) Limitations on the effectiveness of controls

A control system, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the controls are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

In evaluating our business, you should carefully consider the following risks in addition to the other information in this report. Any of the following risks could materially and adversely affect our business, results of operations, financial condition or your investment in our securities, and many are beyond our control. It is not possible to predict or identify all such factors and, therefore, you should not consider any of these risk factors to be a complete statement of all the potential risks or uncertainties that we face.

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Risks Related To Our Business

We have a history of significant losses and may not achieve or sustain profitability and, as a result, you may lose all or part of your investment.

We have generally incurred operating losses in each year since our inception in 1997, due to costs incurred in connection with our research and development activities and general and administrative costs associated with our operations. Our drug candidates are all in early and mid-stage clinical testing, and we and our partners must conduct significant additional clinical trials before we and our partners can seek the regulatory approvals necessary to begin commercial sales of our drugs. We expect to incur increasing losses for at least several more years, as we continue our research activities and conduct development of, and seek regulatory approvals for, our drug candidates, and commercialize any approved drugs. If our drug candidates fail or do not gain regulatory approval, or if our drugs do not achieve market acceptance, we will not be profitable. If we fail to become and remain profitable, or if we are unable to fund our continuing losses, you could lose all or part of your investment.

We will need substantial additional capital in the future to sufficiently fund our operations.

We have consumed substantial amounts of capital to date, and our operating expenditures will increase over the next several years if we expand our research and development activities. We have funded all of our operations and capital expenditures with proceeds from private and public sales of our equity securities, strategic alliances with Amgen, GlaxoSmithKline and others, equipment financings, interest on investments and government grants. We believe that our existing cash and cash equivalents, short-term investments and interest earned on investments should be sufficient to meet our projected operating requirements for at least the next 12 months. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with the development of our drug candidates and other research and development activities, including risks and uncertainties that could impact the rate of progress of our development activities, we are unable to estimate with certainty the amounts of capital outlays and operating expenditures associated with these activities.

For the foreseeable future, our operations will require significant additional funding, in large part due to our research and development expenses and the absence of any revenues from product sales. For example, we will require significant additional funding to enable us to conduct the required registration trials we believe may be necessary to obtain marketing approval for tirasemtiv for the potential treatment of ALS. Until we can generate a sufficient amount of product revenue, we expect to raise future capital through strategic alliance and licensing arrangements, public or private equity offerings and debt financings. We do not currently have any commitments for future funding other than grant funding for our myasthenia gravis clinical activities, and reimbursements, milestone and royalty payments that we may receive under our collaboration agreement with Amgen. We may not receive any further funds under that agreement. Our ability to raise funds may be adversely impacted by current economic conditions, including the effects of the recent disruptions to the credit and financial markets in the United States and worldwide. In particular, the pool of third-party capital that in the past has been available to development-stage companies such as ours has decreased significantly in recent years, and such decreased availability may continue for a prolonged period. As a result of these and other factors, we do not know whether additional financing will be available when needed, or that, if available, such financing would be on terms favorable to our stockholders or us.

To the extent that we raise additional funds through strategic alliances or licensing and other arrangements with third parties, we will likely have to relinquish valuable rights to our technologies, research programs or drug candidates, or grant licenses on terms that may not be favorable to us. To the extent that we raise additional funds by issuing equity securities, our stockholders will experience additional dilution. To the extent that we raise additional funds through debt financing, the financing may involve covenants that restrict our business activities. In addition, funding from any of these sources, if needed, may not be available to us on favorable terms, or at all, or in accordance with our planned timelines.

If we cannot raise the funds we need to operate our business, we will need to discontinue certain research and development activities. For example, in October 2011, we announced a restructuring plan to focus resources primarily on the later-stage development programs for tirasemtiv and omecamtiv mecarbil and certain other research and development programs also directed to muscle biology. As a result, we reduced our workforce by approximately eighteen percent. If we discontinue research and development activities, our stock price may be negatively affected.

We depend on Amgen for the conduct, completion and funding of the clinical development and commercialization of omecamtiv mecarbil.

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In May 2009, Amgen exercised its option to acquire an exclusive license to our drug candidate omecamtiv mecarbil worldwide, except for Japan. As a result, Amgen is responsible for the clinical development and obtaining and maintaining regulatory approval of omecamtiv mecarbil for the potential treatment of heart failure worldwide, except Japan.

We do not control the clinical development activities being conducted or that may be conducted in the future by Amgen, including, but not limited to, the timing of initiation, termination or completion of clinical trials, the analysis of data arising out of those clinical trials or the timing of release of data concerning those clinical trials, which may impact our ability to report on Amgen s results. Amgen may conduct these activities more slowly or in a different manner than we would if we controlled the clinical development of omecamtiv mecarbil. Amgen is responsible for filing future applications with the FDA or other regulatory authorities for approval of omecamtiv mecarbil and will be the owner of any marketing approvals issued by the FDA or other regulatory authorities for omecamtiv mecarbil. If the FDA or other regulatory authorities approve omecamtiv mecarbil, Amgen will also be responsible for the marketing and sale of the resulting drug, subject to our right to co-promote omecamtiv mecarbil in North America if we exercise our option to co-fund Phase III development costs of omecamtiv mecarbil under the collaboration. However, we cannot control whether Amgen will devote sufficient attention and resources to the clinical development of omecamtiv mecarbil or will proceed in an expeditious manner, even if we do exercise our option to co-fund the development of omecamtiv mecarbil. Even if the FDA or other regulatory agencies approve omecamtiv mecarbil, Amgen may elect not to proceed with the commercialization of the resulting drug in one or more countries.

If the results of one or more clinical trials with omecamtiv mecarbil do not meet Amgen s expectations at any time, Amgen may elect to terminate further development of omecamtiv mecarbil or certain of the potential clinical trials for omecamtiv mecarbil, even if the actual number of patients treated at that time is relatively small. In addition, Amgen generally has discretion to elect whether to pursue or abandon the development of omecamtiv mecarbil and may terminate our strategic alliance for any reason upon six months prior notice. If Amgen abandons omecamtiv mecarbil, it would result in a delay in or could prevent us from commercializing omecamtiv mecarbil, and would delay and could prevent us from obtaining revenues for this drug candidate. Disputes may arise between us and Amgen, which may delay or cause the termination of any omecamtiv mecarbil clinical trials, result in significant litigation or cause Amgen to act in a manner that is not in our best interest. If development of omecamtiv mecarbil does not progress for these or any other reasons, we would not receive further milestone payments or royalties on product sales from Amgen with respect to omecamtiv mecarbil. If Amgen abandons development of omecamtiv mecarbil prior to regulatory approval or if it elects not to proceed with commercialization of the resulting drug following regulatory approval, we would have to seek a new partner for clinical development or commercialization, curtail or abandon that clinical development or commercialization, or undertake and fund the clinical development of omecamtiv mecarbil or commercialization of the resulting drug ourselves. If we seek a new partner but are unable to do so on acceptable terms, or at all, or do not have sufficient funds to conduct the development or commercialization of omecamtiv mecarbil ourselves, we would have to curtail or abandon that development or commercialization, which could harm our business.

We have never generated, and may never generate, revenues from commercial sales of our drugs and we will not have drugs to market for at least several years, if ever.

We currently have no drugs for sale and we cannot guarantee that we will ever develop or obtain approval to market any drugs. To receive marketing approval for any drug candidate, we must demonstrate that the drug candidate satisfies rigorous standards of safety and efficacy to the FDA in the United States and other regulatory authorities abroad. We and our partners will need to conduct significant additional research and preclinical and clinical testing before we or our partners can file applications with the FDA or other regulatory authorities for approval of any of our drug candidates. In addition, to compete effectively, our drugs must be easy to use, cost-effective and economical to manufacture on a commercial scale, compared to other therapies available for the treatment of the same conditions. We may not achieve any of these objectives. Currently, our only drug candidates in clinical development are omecamtiv mecarbil for the potential treatment of heart failure and tirasemtiv for the potential treatment of diseases associated with aging, muscle wasting and neuromuscular dysfunction. We cannot be certain that the clinical development of these or any future drug candidates will be successful, that they will receive the regulatory approvals required to commercialize them, or that any of our other research programs will yield a drug candidate suitable for clinical testing or commercialization. Our commercial revenues, if any, will be derived from sales of drugs that we do not expect to be commercially marketed for at least several years, if at all. The development of any one or all of these drug candidates may be discontinued at any stage of our clinical trials programs and we may not generate revenue from any of these drug candidates.

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.

Prior to receiving approval to commercialize any of our drug candidates, we or our partners must adequately

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demonstrate to the satisfaction of FDA and foreign regulatory authorities that the drug candidate is sufficiently safe and effective with substantial evidence from well-controlled clinical trials. We or our partners will need to demonstrate efficacy in clinical trials for the treatment of specific indications and monitor safety throughout the clinical development process and following approval. None of our drug candidates have yet been demonstrated to be safe and effective in clinical trials and they may never be. In addition, for each of our current preclinical compounds, we or our partners must adequately demonstrate satisfactory chemistry, formulation, stability and toxicity in order to submit an IND to the FDA, or an equivalent application in foreign jurisdictions, that would allow us to advance that compound into clinical trials. Furthermore, we or our partners may need to submit separate INDs (or foreign equivalent) to different divisions within the FDA (or foreign regulatory authorities) in order to pursue clinical trials in different therapeutic areas. Each new IND (or foreign equivalent) must be reviewed by the new division before the clinical trial under its jurisdiction can proceed, entailing all the risks of delay inherent to regulatory review. If our or our partners current or future preclinical studies or clinical trials are unsuccessful, our business will be significantly harmed and our stock price could be negatively affected.

All of our drug candidates are prone to the risks of failure inherent in drug development. Preclinical studies may not yield results that would adequately support the filing of an IND (or a foreign equivalent) with respect to our potential drug candidates. Even if the results of preclinical studies for a drug candidate are sufficient to support such a filing, the results of preclinical studies do not necessarily predict the results of clinical trials. As an example, because the physiology of animal species used in preclinical studies may vary substantially from other animal species and from humans, it may be difficult to assess with certainty whether a finding from a study in a particular animal species will result in similar findings in other animal species or in humans. For any of our drug candidates, the results from Phase I clinical trials in healthy volunteers and clinical results from Phase I and II trials in patients are not necessarily indicative of the results of larger Phase III clinical trials that are necessary to establish whether the drug candidate is safe and effective for the applicable indication. Likewise, interim results from a clinical trial may not be indicative of the final results from that trial.

In addition, while the clinical trials of our drug candidates are designed based on the available relevant information, in view of the uncertainties inherent in drug development, such clinical trials may not be designed with focus on indications, patient populations, dosing regimens, safety or efficacy parameters or other variables that will provide the necessary safety or efficacy data to support regulatory approval to commercialize the resulting drugs. Clinical trials of our drug candidates are designed based on guidance or advice from regulatory agencies, which is subject to change during the development of the drug candidate at any time. Such a change in a regulatory agency s guidance or advice may cause that agency to deem results from trials to be insufficient to support approval of the drug candidate and require further clinical trials of that drug candidate to be conducted. In addition, individual patient responses to the dose administered of a drug may vary in a manner that is difficult to predict. Also, the methods we select to assess particular safety or efficacy parameters may not yield the same statistical precision in estimating our drug candidates effects as may other alternative methodologies. Even if we believe the data collected from clinical trials of our drug candidates are promising, these data may not be sufficient to support approval by the FDA or foreign regulatory authorities. Preclinical and clinical data can be interpreted in different ways. Accordingly, the FDA or foreign regulatory authorities could interpret these data in different ways from us or our partners, which could delay, limit or prevent regulatory approval.

Administering any of our drug candidates or potential drug candidates may produce undesirable side effects, also known as adverse effects. Toxicities and adverse effects observed in preclinical studies for some compounds in a particular research and development program may also occur in preclinical studies or clinical trials of other compounds from the same program. Potential toxicity issues may arise from the effects of the active pharmaceutical ingredient itself or from impurities or degradants that are present in the active pharmaceutical ingredient or could form over time in the formulated drug candidate or the active pharmaceutical ingredient. These toxicities or adverse effects could delay or prevent the filing of an IND (or a foreign equivalent) with respect to our drug candidates or potential drug candidates or cause us or our partners to modify, suspend or terminate clinical trials with respect to any drug candidate at any time during the development program. Further, the administration of two or more drugs contemporaneously can lead to interactions between them, and our drug candidates may interact with other drugs that trial subjects are taking. For example, in a Phase I drug-drug interaction study of tirasemtiv administered orally to healthy volunteers, co-administration of tirasemtiv and riluzole approximately doubled the average maximum riluzole plasma level, although it also appeared to reduce the variability of the riluzole plasma levels of the study subjects. The FDA, other regulatory authorities, our partners or we may modify, suspend or terminate clinical trials with our drug candidates at any time. If these or other adverse effects are severe or frequent enough to outweigh the potential efficacy of a drug candidate, the FDA or other regulatory authorities could deny approval of that drug candidate for any or all targeted indications. Even if one or more of our drug candidates were approved for sale as drugs, the occurrence of even a limited number of toxicities or adverse effects when used in large populations may cause the FDA to impose restrictions on, or stop, the further marketing of those drugs. Indications of potential adverse effects or toxicities which do not seem significant during the course of clinical trials may later turn out to actually constitute serious adverse effects or toxicities when a drug is used in large populations or for extended periods of time.

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We have observed certain adverse effects in the clinical trials conducted with our drug candidates. For example, in clinical trials of omecamtiv mecarbil, dose-limiting effects were associated with complaints of chest discomfort, palpitations, dizziness and feeling hot, increases in heart rate, declines in blood pressure, electrocardiographic changes consistent with acute myocardial ischemia and transient rises in the MB fraction of creatine kinase and cardiac troponins I and T, which are indicative of myocardial infarction. In Phase II clinical trials of tirasemtiv, adverse events of dizziness, fatigue, headache, somnolence (sleepiness), euphoric mood, muscle spasms, gait disturbance, pain in extremity, feeling drunk, blurred vision, muscular weakness, nausea, balance disorder, asthenia (loss of strength and energy), abnormal coordination and dysarthria (difficulty speaking) occurred more frequently during treatment with tirasemtiv than with placebo, with a possible trend for their frequencies to increase with increasing doses of tirasemtiv.

In addition, clinical trials of omecamtiv mecarbil and tirasemtiv enroll patients who typically suffer from serious diseases which put them at increased risk of death. These patients may die while receiving our drug candidates. In such circumstances, it may not be possible to exclude with certainty a causal relationship to our drug candidate, even though the responsible clinical investigator may view such an event as not study drug-related. For example, in a Phase IIa clinical trial designed to evaluate and compare the oral pharmacokinetics of both modified and immediate release formulations of omecamtiv mecarbil in patients with stable heart failure, a patient died suddenly after receiving the immediate release formulation of omecamtiv mecarbil, without having reported any preceding adverse events. The clinical investigator assessed the patient s death as not related to omecamtiv mecarbil. However, the event was reported to the appropriate regulatory authorities as possibly related to omecamtiv mecarbil because the immediate cause of the patient s death could not be determined, and therefore, a relationship to omecamtiv mecarbil could not be excluded definitively.

Any failure or significant delay in completing preclinical studies or clinical trials for our drug candidates, or in receiving and maintaining regulatory approval for the sale of any resulting drugs, may significantly harm our business and negatively affect our stock price.

Clinical trials are expensive, time-consuming and subject to delay.

Clinical trials are subject to rigorous regulatory requirements and are very expensive, difficult and time-consuming to design and implement. The length of time and number of trial sites and patients required for clinical trials vary substantially based on the type, complexity, novelty, intended use of the drug candidate and safety concerns. We estimate that the clinical trials of our current drug candidates will each continue for several more years. However, the clinical trials for all or any of these drug candidates may take significantly longer to complete. The commencement and completion of our clinical trials could be delayed or prevented by many factors, including, but not limited to:

- delays in obtaining, or inability to obtain, regulatory or other approvals to commence and conduct clinical trials in the manner we or our partners deem necessary for the appropriate and timely development of our drug candidates and commercialization of any resulting drugs;

- delays in identifying and reaching agreement, or inability to identify and reach agreement, on acceptable terms, with prospective clinical trial sites and other entities involved in the conduct of our clinical trials;

- delays or additional costs in developing, or inability to develop, appropriate formulations of our drug candidates for clinical trial use, including an appropriate modified release oral formulation for omecamtiv mecarbil;

- slower than expected rates of patient recruitment and enrollment, including as a result of competition for patients with other clinical trials; limited numbers of patients that meet the enrollment criteria; patients , investigators or trial sites reluctance to agree to the requirements of a protocol; or the introduction of alternative therapies or drugs by others;

- for those drug candidates that are the subject of a strategic alliance, delays in reaching agreement with our partner as to appropriate development strategies;

a regulatory authority may require changes to a protocol for a clinical trial that then may require approval from regulatory agencies in other jurisdictions where the trial is being conducted;

an institutional review board (IRB) or its foreign equivalent may require changes to a protocol that then require approval from regulatory agencies and other IRBs and their foreign equivalents, or regulatory authorities may require changes to a protocol that then require approval from the IRBs or their foreign equivalents;

for clinical trials conducted in foreign countries, the time and resources required to identify, interpret and comply with foreign regulatory requirements or changes in those requirements, and political instability or natural disasters occurring in those countries;

lack of effectiveness of our drug candidates during clinical trials;

unforeseen safety issues;

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inadequate supply of clinical trial materials;

uncertain dosing issues;

failure by us, our partners, or clinical research organizations, investigators or site personnel engaged by us or our partners to comply with good clinical practices and other applicable laws and regulations, including those concerning informed consent;

inability or unwillingness of investigators or their staffs to follow clinical protocols;

inability to monitor patients adequately during or after treatment;

introduction of new therapies or changes in standards of practice or regulatory guidance that render our drug candidates or their clinical trial endpoints obsolete; and

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

We do not know whether planned clinical trials will begin on time, or whether planned or currently ongoing clinical trials will need to be restructured or will be completed on schedule, if at all. Significant delays in clinical trials will impede our ability to commercialize our drug candidates and generate revenue and could significantly increase our development costs.

If we fail to enter into and maintain successful strategic alliances for our drug candidates, potential drug candidates or research and development programs, we will have to reduce, delay or discontinue our advancement of those drug candidates, potential drug candidates and programs or expand our research and development capabilities and increase our expenditures.

Drug development is complicated and expensive. We currently have limited financial and operational resources to carry out drug development. Our strategy for developing, manufacturing and commercializing our drug candidates and potential drug candidates currently requires us to enter into and successfully maintain strategic alliances with pharmaceutical companies or other industry participants to advance our programs and reduce our expenditures on each program. Accordingly, the success of our development activities depends in large part on our current and future strategic partners performance, over which we have little or no control.

We have retained all rights to develop and commercialize tirasemtiv and CK-2127107. We currently do not have a strategic partner for these compounds. We are seeking one or more strategic partners or other arrangements with third parties to advance and develop compounds from our skeletal muscle contractility program and our smooth muscle myosin inhibitors. However, we may not be able to negotiate and enter into such strategic alliances or arrangements on acceptable terms, if at all, or in accordance with our planned timelines.

We rely on Amgen to conduct non-clinical and clinical development for omecamtiv mecarbil for the potential treatment of heart failure. If Amgen elects to terminate its development activities with respect to omecamtiv mecarbil, we currently do not have an alternative strategic partner for this drug candidate.

Our ability to commercialize drugs that we develop with our partners and that generate royalties from product sales depends on our partners abilities to assist us in establishing the safety and efficacy of our drug candidates, obtaining and maintaining regulatory approvals and achieving market acceptance of the drugs once commercialized. Our partners may elect to delay or terminate development of one or more drug candidates, independently develop drugs that could compete with ours or fail to commit sufficient resources to the marketing and distribution of drugs developed through their strategic alliances with us. Our partners may not proceed with the development and commercialization of our drug candidates with the same degree of urgency as we would because of other priorities they face. In addition, new business combinations or changes in a partner s business strategy may adversely affect its willingness or ability to carry out its obligations under a strategic alliance.

If we are not able to successfully maintain our existing strategic alliances or establish and successfully maintain additional strategic alliances, we will have to limit the size or scope of, or delay or discontinue, one or more of our drug development programs or research programs, or

undertake and fund these programs ourselves. Alternatively, if we elect to continue to conduct any of these drug development programs or research programs on our own, we will need to expand our capability to conduct clinical development by bringing additional skills, technical expertise and resources into our organization. This would require significant additional funding, which may not be available to us on acceptable terms, or at all.

We depend on contract research organizations to conduct our clinical trials and have limited control over their performance.

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We have used and intend to continue to use contract research organizations (CROs) within and outside of the United States to conduct clinical trials of our drug candidates, such as tirasemtiv. We do not have control over many aspects of our CROs activities, and cannot fully control the amount, timing or quality of resources that they devote to our programs. CROs may not assign as high a priority to our programs or pursue them as diligently as we would if we were undertaking these programs ourselves. The activities conducted by our CROs therefore may not be completed on schedule or in a satisfactory manner. CROs may also give higher priority to relationships with our competitors and potential competitors than to their relationships with us. Outside of the United States, we are particularly dependent on our CROs expertise in communicating with clinical trial sites and regulatory authorities and ensuring that our clinical trials and related activities and regulatory filings comply with applicable laws. Our CROs failure to carry out development activities on our behalf according to our and the FDA s or other regulatory agencies requirements and in accordance with applicable U.S. and foreign laws, or our failure to properly coordinate and manage these activities, could increase the cost of our operations and delay or prevent the development, approval and commercialization of our drug candidates. In addition, if a CRO fails to perform as agreed, our ability to collect damages may be contractually limited. If we fail to effectively manage the CROs carrying out the development of our drug candidates or if our CROs fail to perform as agreed, the commercialization of our drug candidates will be delayed or prevented.

We have no manufacturing capacity and depend on our strategic partners and contract manufacturers to produce our clinical trial drug supplies for each of our drug candidates and potential drug candidates, and anticipate continued reliance on contract manufacturers for the development and commercialization of our potential drugs.

We do not currently operate manufacturing facilities for clinical or commercial production of our drug candidates and potential drug candidates. We have limited experience in drug formulation and manufacturing, and we lack the resources and the capabilities to manufacture any of our drug candidates and potential drug candidates on a clinical or commercial scale. Amgen has assumed responsibility to conduct these activities for the ongoing clinical development of omecamtiv mecarbil worldwide, except Japan. For tirasemtiv and CK-2127107, we rely on a limited number of contract manufacturers. In particular, we rely on single-source contract manufacturers for the active pharmaceutical ingredient and the drug product supply for our clinical trials. We expect to rely on contract manufacturers to supply all future drug candidates for which we conduct clinical development. If any of our existing or future contract manufacturers fail to perform satisfactorily, it could delay clinical development or regulatory approval of our drug candidates or commercialization of our drugs, producing additional losses and depriving us of potential product revenues. In addition, if a contract manufacturer fails to perform as agreed, our ability to collect damages may be contractually limited.

Our drug candidates and potential drug candidates require precise high-quality manufacturing. The failure to achieve and maintain high manufacturing standards, including failure to detect or control anticipated or unanticipated manufacturing errors or the frequent occurrence of such errors, could result in patient injury or death, discontinuance or delay of ongoing or planned clinical trials, delays or failures in product testing or delivery, cost overruns, product recalls or withdrawals and other problems that could seriously hurt our business. Contract drug manufacturers often encounter difficulties involving production yields, quality control and quality assurance and shortages of qualified personnel. These manufacturers are subject to stringent regulatory requirements, including the FDA s current good manufacturing practices regulations and similar foreign laws and standards. Each contract manufacturer must pass a pre-approval inspection before we can obtain marketing approval for any of our drug candidates and following approval will be subject to ongoing periodic unannounced inspections by the FDA, the U.S. Drug Enforcement Agency and other regulatory agencies, to ensure strict compliance with current good manufacturing practices and other applicable government regulations and corresponding foreign laws and standards. We seek to ensure that our contract manufacturers comply fully with all applicable regulations, laws and standards. However, we do not have control over our contract manufacturers compliance with these regulations, laws and standards. If one of our contract manufacturers fails to pass its pre-approval inspection or maintain ongoing compliance at any time, the production of our drug candidates could be interrupted, resulting in delays or discontinuance of our clinical trials, additional costs and potentially lost revenues. In addition, failure of any third party manufacturers or us to comply with applicable regulations, including pre-or post-approval inspections and the current good manufacturing practice requirements of the FDA or other comparable regulatory agencies, could result in sanctions being imposed on us. These sanctions could include fines, injunctions, civil penalties, failure of regulatory authorities to grant marketing approval of our products, delay, suspension or withdrawal of approvals, license revocation, product seizures or recalls, operational restrictions and criminal prosecutions, any of which could significantly and adversely affect our business.

In addition, our existing and future contract manufacturers may not perform as agreed or may not remain in the contract manufacturing business for the time required to successfully produce, store and distribute our drug candidates. If a natural disaster, business failure, strike or other difficulty occurs, we may be unable to replace these contract manufacturers in a timely or cost-effective manner and the production of our drug candidates would be interrupted, resulting in delays and additional costs.

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Switching manufacturers or manufacturing sites would be difficult and time-consuming because the number of potential manufacturers is limited. In addition, before a drug from any replacement manufacturer or manufacturing site can be commercialized, the FDA and, in some cases, foreign regulatory agencies, must approve that site. These approvals would require regulatory testing and compliance inspections. A new manufacturer or manufacturing site also would have to be educated in, or develop substantially equivalent processes for, production of our drugs and drug candidates. It may be difficult or impossible to transfer certain elements of a manufacturing process to a new manufacturer or for us to find a replacement manufacturer on acceptable terms quickly, or at all, either of which would delay or prevent our ability to develop drug candidates and commercialize any resulting drugs.

We may not be able to successfully scale-up manufacturing of our drug candidates in sufficient quality and quantity, which would delay or prevent us from developing our drug candidates and commercializing resulting approved drugs, if any.

To date, our drug candidates have been manufactured in small quantities for preclinical studies and early-stage clinical trials. In order to conduct larger scale or late-stage clinical trials for a drug candidate and for commercialization of the resulting drug if that drug candidate is approved for sale, we will need to manufacture it in larger quantities. We may not be able to successfully increase the manufacturing capacity for any of our drug candidates, whether in collaboration with third-party manufacturers or on our own, in a timely or cost-effective manner or at all. If a contract manufacturer makes improvements in the manufacturing process for our drug candidates, we may not own, or may have to share, the intellectual property rights to those improvements. Significant scale-up of manufacturing may require additional validation studies, which are costly and which the FDA must review and approve. In addition, quality issues may arise during those scale-up activities because of the inherent properties of a drug candidate itself or of a drug candidate in combination with other components added during the manufacturing and packaging process, or during shipping and storage of the finished product or active pharmaceutical ingredients. If we are unable to successfully scale-up manufacture of any of our drug candidates in sufficient quality and quantity, the development of that drug candidate and regulatory approval or commercial launch for any resulting drugs may be delayed or there may be a shortage in supply, which could significantly harm our business.

The mechanisms of action of our drug candidates and potential drug candidates are unproven, and we do not know whether we will be able to develop any drug of commercial value.

We have discovered and are currently developing drug candidates and potential drug candidates that have what we believe are novel mechanisms of action directed against cytoskeletal targets, and intend to continue to do so. Because no currently approved drugs appear to operate via the same biochemical mechanisms as our compounds, we cannot be certain that our drug candidates and potential drug candidates will result in commercially viable drugs that safely and effectively treat the indications for which we intend to develop them. The results we have seen for our compounds in preclinical models may not translate into similar results in humans, and results of early clinical trials in humans may not be predictive of the results of larger clinical trials that may later be conducted with our drug candidates. Even if we are successful in developing and receiving regulatory approval for a drug candidate for the treatment of a particular disease, we cannot be certain that we will also be able to develop and receive regulatory approval for that or other drug candidates for the treatment of other diseases. If we or our partners are unable to successfully develop and commercialize our drug candidates, our business will be materially harmed.

Our success depends substantially upon our ability to obtain and maintain intellectual property protection relating to our drug candidates, potential drug candidates and research technologies.

We own, or hold exclusive licenses to, a number of U.S. and foreign patents and patent applications directed to our drug candidates, potential drug candidates and research technologies. Our success depends on our ability to obtain patent protection both in the United States and in other countries for our drug candidates and potential drug candidates, their methods of manufacture and use, and our technologies. Our ability to protect our drug candidates, potential drug candidates and technologies from unauthorized or infringing use by third parties depends substantially on our ability to obtain and enforce our patents. If our issued patents and patent applications, if granted, do not adequately describe, enable or otherwise provide coverage of our technologies and drug candidates and potential drug candidates, including omecamtiv mecarbil, tirasemtiv and CK-2127107, we or our licensees would not be able to exclude others from developing or commercializing these drug candidates. Furthermore, the degree of future protection of our proprietary rights is uncertain because legal means may not adequately protect our rights or permit us to gain or keep our competitive advantage.

Due to evolving legal standards relating to the patentability, validity and enforceability of patents covering pharmaceutical inventions and the claim scope of these patents, our ability to enforce our existing patents and to obtain and enforce patents that may issue from any pending or future patent applications is uncertain and involves complex legal, scientific and factual questions. The standards which the U.S. Patent and Trademark Office and its foreign counterparts use to

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grant patents are not always applied predictably or uniformly and are subject to change. To date, no consistent policy has emerged regarding the breadth of claims allowed in biotechnology and pharmaceutical patents. Thus, we cannot be sure that any patents will issue from any pending or future patent applications owned by or licensed to us. Even if patents do issue, we cannot be sure that the claims of these patents will be held valid or enforceable by a court of law, will provide us with any significant protection against competitive products, or will afford us a commercial advantage over competitive products. In particular:

- we or our licensors might not have been the first to make the inventions covered by each of our pending patent applications and issued patents;
- we or our licensors might not have been the first to file patent applications for the inventions covered by our pending patent applications and issued patents;
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights;
- some or all of our or our licensors pending patent applications may not result in issued patents or the claims that issue may be narrow in scope and not provide us with competitive advantages;
- our and our licensors issued patents may not provide a basis for commercially viable drugs or therapies or may be challenged and invalidated by third parties;
- our or our licensors patent applications or patents may be subject to interference, opposition or similar administrative proceedings that may result in a reduction in their scope or their loss altogether;
- we may not develop additional proprietary technologies or drug candidates that are patentable; or
- the patents of others may prevent us or our partners from discovering, developing or commercializing our drug candidates.

Patent protection is afforded on a country-by-country basis. Some foreign jurisdictions do not protect intellectual property rights to the same extent as in the United States. Many companies have encountered significant difficulties in protecting and defending intellectual property rights in foreign jurisdictions. Some of our development efforts are performed in countries outside of the United States through third party contractors. We may not be able to effectively monitor and assess intellectual property developed by these contractors. We therefore may not be able to effectively protect this intellectual property and could lose potentially valuable intellectual property rights. In addition, the legal protection afforded to inventors and owners of intellectual property in countries outside of the United States may not be as protective of intellectual property rights as in the United States. Therefore, we may be unable to acquire and protect intellectual property developed by these contractors to the same extent as if these development activities were being conducted in the United States. If we encounter difficulties in protecting our intellectual property rights in foreign jurisdictions, our business prospects could be substantially harmed.

We rely on intellectual property assignment agreements with our corporate partners, employees, consultants, scientific advisors and other collaborators to grant us ownership of new intellectual property that is developed. These agreements may not result in the effective assignment to us of that intellectual property. As a result, our ownership of key intellectual property could be compromised.

Changes in either the patent laws or their interpretation in the United States or other countries may diminish the value of our intellectual property or our ability to obtain patents. For example, the America Invents Act of 2011 may affect the scope, strength and enforceability of our patent rights in the United States or the nature of proceedings which may be brought by us related to our patent rights in the United States.

If one or more products resulting from our drug candidates is approved for sale by the FDA and we do not have adequate intellectual property protection for those products, competitors could duplicate them for approval and sale in the United States without repeating the extensive testing required of us or our partners to obtain FDA approval. Regardless of any patent protection, under current law, an application for a generic version of a new chemical entity cannot be approved until at least five years after the FDA has approved the original product. When that period expires, or if that period is altered, the FDA could approve a generic version of our product regardless of our patent protection. An applicant for a generic version of our product may only be required to conduct a relatively inexpensive study to show that its product is bioequivalent to our product, and may not have to repeat the lengthy and expensive clinical trials that we or our partners conducted to demonstrate that the product is safe and effective. In the absence of adequate patent protection for our products in other countries, competitors may similarly be able to obtain regulatory approval in those countries of generic versions of our products.

We also rely on trade secrets to protect our technology, particularly where we believe patent protection is not

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appropriate or obtainable. However, trade secrets are often difficult to protect, especially outside of the United States. While we endeavor to use reasonable efforts to protect our trade secrets, our or our partners employees, consultants, contractors or scientific and other advisors may unintentionally or willfully disclose our information to competitors. In addition, confidentiality agreements, if any, executed by those individuals may not be enforceable or provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure. Pursuing a claim that a third party had illegally obtained and was using our trade secrets would be expensive and time-consuming, and the outcome would be unpredictable. Even if we are able to maintain our trade secrets as confidential, if our competitors independently develop information equivalent or similar to our trade secrets, our business could be harmed.

If we are not able to defend the patent or trade secret protection position of our technologies and drug candidates, then we will not be able to exclude competitors from developing or marketing competing drugs, and we may not generate enough revenue from product sales to justify the cost of development of our drugs or to achieve or maintain profitability.

If we are sued for infringing third party intellectual property rights, it will be costly and time-consuming, and an unfavorable outcome would have a significant adverse effect on our business.

Our ability to commercialize drugs depends on our ability to use, manufacture and sell those drugs without infringing the patents or other proprietary rights of third parties. Numerous U.S. and foreign issued patents and pending patent applications owned by third parties exist in the therapeutic areas in which we are developing drug candidates and seeking new potential drug candidates. In addition, because patent applications can take several years to issue, there may be currently pending applications, unknown to us, which could later result in issued patents that our activities with our drug candidates could infringe. There may also be existing patents, unknown to us, that our activities with our drug candidates could infringe.

Other future products of ours may be impacted by patents of companies engaged in competitive programs with significantly greater resources (such as Merck & Co., Inc., Eli Lilly and Company, Bristol-Myers Squibb Company, Novartis, Biogen Idec, Inc., Mitsubishi Tanabe Pharma Corporation, Astellas, Eisai Inc. and AstraZeneca AB). Further development of these products could be impacted by these patents and result in significant legal fees.

If a third party claims that our actions infringe its patents or other proprietary rights, we could face a number of issues that could seriously harm our competitive position, including, but not limited to:

- infringement and other intellectual property claims that, even if meritless, can be costly and time-consuming to litigate, delay the regulatory approval process and divert management s attention from our core business operations;
- substantial damages for past infringement which we may have to pay if a court determines that our drugs or technologies infringe a third party s patent or other proprietary rights;
- a court prohibiting us from selling or licensing our drugs or technologies unless the holder licenses the patent or other proprietary rights to us, which it is not required to do; and
- if a license is available from a holder, we may have to pay substantial royalties or grant cross-licenses to our patents or other proprietary rights.

If any of these events occur, it could significantly harm our business and negatively affect our stock price.

We may undertake infringement or other legal proceedings against third parties, causing us to spend substantial resources on litigation and exposing our own intellectual property portfolio to challenge.

Third parties may infringe our patents. To prevent infringement or unauthorized use, we may need to file infringement suits, which are expensive and time-consuming. In an infringement proceeding, a court may decide that one or more of our patents is invalid, unenforceable, or both. In this case, third parties may be able to use our technology without paying licensing fees or royalties. Even if the validity of our patents is upheld, a court may refuse to stop the other party from using the technology at issue on the ground that the other party s activities are not covered

by our patents. Policing unauthorized use of our intellectual property is difficult, and we may not be able to prevent misappropriation of our proprietary rights, particularly in countries where the laws may not protect such rights as fully as in the United States. In addition, third parties may affirmatively challenge our rights to, or the scope or validity of, our patent rights.

We may become involved in disputes with our strategic partners over intellectual property ownership, and publications by our research collaborators and clinical investigators could impair our ability to obtain patent protection or protect our proprietary information, either of which would have a significant impact on our business.

Inventions discovered under our current or future strategic alliance agreements may become jointly owned by our

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strategic partners and us in some cases, and the exclusive property of one of us in other cases. Under some circumstances, it may be difficult to determine who owns a particular invention or whether it is jointly owned, and disputes could arise regarding ownership or use of those inventions. These disputes could be costly and time-consuming, and an unfavorable outcome could have a significant adverse effect on our business if we were not able to protect or license rights to these inventions. In addition, our research collaborators and clinical investigators generally have contractual rights to publish data arising from their work. Publications by our research collaborators and clinical investigators relating to our research and development programs, either with or without our consent, could benefit our current or potential competitors and may impair our ability to obtain patent protection or protect our proprietary information, which could significantly harm our business.

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

Many of our employees were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although no claims against us are currently pending, we may be subject to claims that these employees or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. If we fail in defending these claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. A loss of key research personnel or their work product could hamper or prevent our ability to develop and commercialize certain potential drugs, which could significantly harm our business. Even if we are successful in defending against these claims, litigation could result in substantial costs and distract management.

Our competitors may develop drugs that are less expensive, safer or more effective than ours, which may diminish or eliminate the commercial success of any drugs that we may commercialize.

We compete with companies that have developed drugs or are developing drug candidates for cardiovascular diseases, diseases and conditions associated with muscle weakness or wasting and other diseases for which our drug candidates may be useful treatments. For example, if omecamtiv mecarbil is approved for marketing by the FDA for heart failure, that drug candidate would compete against other drugs used for the treatment of heart failure. These include generic drugs, such as milrinone, dobutamine or digoxin and newer marketed drugs such as nesiritide. Omecamtiv mecarbil could also potentially compete against other novel drug candidates in development, such as bucindolol, which is being developed by ARCA biopharma, Inc.; relaxin, which is being developed by Novartis; cenderitide (CD-NP), which is being developed by Nile Therapeutics, Inc.; and glial growth factor (GGF-2) which is being developed by Acorda Therapeutics, Inc. In addition, there are a number of medical devices being developed for the potential treatment of heart failure.

With respect to our skeletal muscle sarcomere activators (such as tirasemtiv), potential competitors include Ligand Pharmaceuticals, Inc., which is developing LGD-4033, a selective androgen receptor modulator, for muscle wasting; and GTx, Inc., which is developing ostarine, a selective androgen receptor modulator, for cancer cachexia and sarcopenia. Acceleron Pharma, Inc. is conducting clinical development with ACE-031, a myostatin inhibitor, and is researching related compounds to evaluate their ability to treat diseases involving the loss of muscle mass, strength and function. We are aware that other companies are developing potential new therapies for ALS, such as Biogen Idec, Inc., Mitsubishi Tanabe Pharma Corporation, Eisai Inc., Trophos SA, Neuraltus Pharmaceuticals, Inc., Isis Pharmaceuticals, Inc. and GlaxoSmithKline plc. If tirasemtiv or other of our skeletal muscle sarcomere activators are approved for the treatment of claudication associated with peripheral artery disease, they will compete with currently approved therapies for the treatment of peripheral artery disease. We are also aware that a number of companies are currently or have been developing potential new treatments for peripheral artery disease or associated symptoms of claudication. If tirasemtiv or other of our skeletal muscle sarcomere activators are approved for the treatment of myasthenia gravis, they will compete with currently approved therapies for the treatment of myasthenia gravis, including but not limited to anticholinesterase agents, such as pyridostigmine bromide and neostigmine bromide, corticosteroids, such as prednisone, and immunomodulatory drugs, such as azathiaprine and cyclosporine. We are also aware that a number of companies are developing or commercializing in certain markets potential new treatments that could be used for the possible treatment of myasthenia gravis, such as Benesis Corp. (GB-0998), Alexion Pharmaceuticals, Inc. (eculizumab) and Astellas (tacrolimus).

Our competitors may:

- develop drug candidates and market drugs that are less expensive or more effective than our future drugs;
- commercialize competing drugs before we or our partners can launch any drugs developed from our drug candidates;

hold or obtain proprietary rights that could prevent us from commercializing our products;

initiate or withstand substantial price competition more successfully than we can;

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more successfully recruit skilled scientific workers and management from the limited pool of available talent;

more effectively negotiate third-party licenses and strategic alliances;

take advantage of acquisition or other opportunities more readily than we can;

develop drug candidates and market drugs that increase the levels of safety or efficacy that our drug candidates will need to show in order to obtain regulatory approval; or

introduce therapies or market drugs that render the market opportunity for our potential drugs obsolete.

We will compete for market share against large pharmaceutical and biotechnology companies and smaller companies that are collaborating with larger pharmaceutical companies, new companies, academic institutions, government agencies and other public and private research organizations. Many of these competitors, either alone or together with their partners, may develop new drug candidates that will compete with ours. Many of these competitors have larger research and development programs or substantially greater financial resources than we do. Our competitors may also have significantly greater experience in:

developing drug candidates;

undertaking preclinical testing and clinical trials;

building relationships with key customers and opinion-leading physicians;

obtaining and maintaining FDA and other regulatory approvals of drug candidates;

formulating and manufacturing drugs; and

launching, marketing and selling drugs.

If our competitors market drugs that are less expensive, safer or more efficacious than our potential drugs, or that reach the market sooner than our potential drugs, we may not achieve commercial success. In addition, the life sciences industry is characterized by rapid technological change. If we fail to stay at the forefront of technological change, we may be unable to compete effectively. Our competitors may render our technologies obsolete by improving existing technological approaches or developing new or different approaches, potentially eliminating the advantages in our drug discovery process that we believe we derive from our research approach and proprietary technologies.

Our failure to attract and retain skilled personnel could impair our drug development and commercialization activities.

Our business depends on the performance of our senior management and key scientific and technical personnel. The loss of the services of any member of our senior management or key scientific or technical staff may significantly delay or prevent the achievement of drug development and other business objectives by diverting management s attention to transition matters and identifying suitable replacements. We also rely on consultants and advisors to assist us in formulating our research and development strategy. All of our consultants and advisors are either self-employed or employed by other organizations, and they may have conflicts of interest or other commitments, such as consulting or advisory contracts with other organizations, that may affect their ability to contribute to us. In addition, if and as our business grows, we will need to recruit additional executive management and scientific and technical personnel. There is intense competition for skilled executives and

employees with relevant scientific and technical expertise, and this competition is likely to continue. Our inability to attract and retain sufficient scientific, technical and managerial personnel could limit or delay our product development activities, which would adversely affect the development of our drug candidates and commercialization of our potential drugs and growth of our business.

Our workforce reductions in October 2011 and any future workforce and expense reductions may have an adverse impact on our internal programs and our ability to hire and retain skilled personnel.

In October 2011, we reduced our workforce by approximately eighteen percent in order to reduce expenses and to focus resources primarily on our later-stage development programs for tirasemtiv and omecamtiv mecarbil and certain other research and development programs also directed to muscle biology. These headcount reductions and the cost control measures we have implemented may negatively affect our productivity and limit our research and development activities. Our future success will depend in large part upon our ability to attract and retain highly skilled personnel. We may have difficulty retaining and attracting such personnel as a result of a perceived risk of future workforce reductions. In light of our continued need for funding and cost control, we may be required to implement future workforce and expense reductions, which could further limit our research and development activities. In addition, the implementation of any additional workforce or expense reduction programs may divert the efforts of our management team and other key employees, which could adversely affect our business.

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We may expand our development and clinical research capabilities and, as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

We may have growth in our expenditures, the number of our employees and the scope of our operations, in particular with respect to those drug candidates that we elect to develop or commercialize independently or together with a partner. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited resources, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The physical expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

We currently have no sales or marketing capabilities and, if we are unable to enter into or maintain strategic alliances with marketing partners or to develop our own sales and marketing capabilities, we may not be successful in commercializing our potential drugs.

We currently have no sales, marketing or distribution capabilities. We plan to commercialize drugs that can be effectively marketed and sold in concentrated markets that do not require a large sales force to be competitive. To achieve this goal, we will need to establish our own specialized sales force and marketing organization with technical expertise and supporting distribution capabilities. Developing such an organization is expensive and time-consuming and could delay a product launch. In addition, we may not be able to develop this capacity efficiently, cost-effectively or at all, which could make us unable to commercialize our drugs. If we determine not to market our drugs on our own, we will depend on strategic alliances with third parties, such as Amgen, which have established distribution systems and direct sales forces to commercialize them. If we are unable to enter into such arrangements on acceptable terms, we may not be able to successfully commercialize these drugs. To the extent that we are not successful in commercializing any drugs ourselves or through a strategic alliance, our product revenues and business will suffer and our stock price would decrease.

Risks Related To Our Industry

The regulatory approval process is expensive, time-consuming and uncertain and may prevent our partners or us from obtaining approvals to commercialize some or all of our drug candidates.

The research, testing, manufacturing, selling and marketing of drugs are subject to extensive regulation by the FDA and other regulatory authorities in the United States and other countries, and regulations differ from country to country. Neither we nor our partners are permitted to market our potential drugs in the United States until we receive approval of a new drug application (NDA) from the FDA. Neither we nor our partners have received NDA or other marketing approval for any of Cytokinetics drug candidates.

Obtaining NDA approval is a lengthy, expensive and uncertain process. In addition, failure to comply with FDA and other applicable foreign and U.S. regulatory requirements may subject us to administrative or judicially imposed sanctions. These include warning letters, civil and criminal penalties, injunctions, product seizure or detention, product recalls, total or partial suspension of production, and refusal to approve pending NDAs or supplements to approved NDAs.

Regulatory approval of an NDA or NDA supplement is never guaranteed, and the approval process typically takes several years and is extremely expensive. The FDA and foreign regulatory agencies also have substantial discretion in the drug approval process, and the guidance and advice issued by such agencies is subject to change at any time. Despite the time and efforts exerted, failure can occur at any stage, and we may encounter problems that cause us to abandon clinical trials or to repeat or perform additional preclinical testing and clinical trials. The number and focus of preclinical studies and clinical trials that will be required for approval by the FDA and foreign regulatory agencies varies depending on the drug candidate, the disease or condition that the drug candidate is designed to address, and the regulations applicable to any particular drug candidate. In addition, the FDA may require that a proposed Risk Evaluation and Mitigation Strategy, also known as a REMS, be submitted as part of an NDA if the FDA determines that it is necessary to ensure that the benefits of the drug outweigh its risks. The FDA and foreign regulatory agencies can delay, limit or deny approval of a drug candidate for many reasons, including, but not limited to:

- they might determine that a drug candidate is not safe or effective;
- they might not find the data from preclinical testing and clinical trials sufficient and could request that additional trials be performed;

they might not approve our, our partner s or the contract manufacturer s processes or facilities; or

they might change their approval policies or adopt new regulations.

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Even if we receive regulatory approval to manufacture and sell a drug in a particular regulatory jurisdiction, other jurisdictions regulatory authorities may not approve that drug for manufacture and sale. If we or our partners fail to receive and maintain regulatory approval for the sale of any drugs resulting from our drug candidates, it would significantly harm our business and negatively affect our stock price.

If we or our partners receive regulatory approval for our drug candidates, we or they will be subject to ongoing obligations to and continued regulatory review by the FDA and foreign regulatory agencies, and may be subject to additional post-marketing obligations, all of which may result in significant expense and limit commercialization of our potential drugs.

Any regulatory approvals that we or our partners receive for our drug candidates may be subject to limitations on the indicated uses for which the drug may be marketed or require potentially costly post-marketing follow-up studies or compliance with a REMS. In addition, if the FDA or foreign regulatory agencies approves any of our drug candidates, the labeling, packaging, adverse event reporting, storage, advertising, promotion and record-keeping for the drug will be subject to extensive regulatory requirements. The subsequent discovery of previously unknown problems with the drug, including adverse events of unanticipated severity or frequency, or the discovery that adverse effects or toxicities observed in preclinical research or clinical trials that were believed to be minor actually constitute much more serious problems, may result in restrictions on the marketing of the drug or withdrawal of the drug from the market.

The FDA and foreign regulatory agencies may change their policies and additional government regulations may be enacted that could prevent or delay regulatory approval of our drug candidates. We cannot predict the likelihood, nature or extent of adverse government regulation that may arise from future legislation or administrative action, either in the United States or abroad. If we are not able to maintain regulatory compliance, we might not be permitted to market our drugs and our business would suffer.

If physicians and patients do not accept our drugs, we may be unable to generate significant revenue, if any.

Even if our drug candidates obtain regulatory approval, the resulting drugs, if any, may not gain market acceptance among physicians, healthcare payors, patients and the medical community. Even if the clinical safety and efficacy of drugs developed from our drug candidates are established for purposes of approval, physicians may elect not to recommend these drugs for a variety of reasons including, but not limited to:

- introduction of competitive drugs to the market;
- clinical safety and efficacy of alternative drugs or treatments;
- cost-effectiveness;
- availability of coverage and reimbursement from health maintenance organizations and other third-party payors;
- convenience and ease of administration;
- prevalence and severity of adverse side effects;
- other potential disadvantages relative to alternative treatment methods; or
- insufficient marketing and distribution support.

If our drugs fail to achieve market acceptance, we may not be able to generate significant revenue and our business would suffer.

The coverage and reimbursement status of newly approved drugs is uncertain and failure to obtain adequate coverage and reimbursement could limit our ability to market any drugs we may develop and decrease our ability to generate revenue.

Even if one or more of our drug candidates is approved for sale, the commercial success of our drugs in both domestic and international markets will be substantially dependent on whether third-party coverage and reimbursement is available for our drugs by the medical profession for use by their patients, which is highly uncertain. Medicare, Medicaid, health maintenance organizations and other third-party payors are increasingly attempting to contain healthcare costs by limiting both coverage and the level of reimbursement of new drugs. As a result, they may not cover or provide adequate payment for our drugs. They may not view our drugs as cost-effective and reimbursement may not be available to consumers or may be insufficient to allow our drugs to be marketed on a competitive basis. If we are unable to obtain adequate coverage and reimbursement for our drugs, our ability to generate revenue will be adversely affected. Likewise, current and future legislative or regulatory efforts to control or reduce healthcare costs or reform government healthcare programs, such as the Patient Protection Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, could result in lower prices or rejection of coverage and reimbursement for our potential drugs. Changes in coverage and reimbursement policies or healthcare cost containment initiatives that limit or restrict reimbursement for any of our drug candidates that are approved could cause our potential future revenues to decline.

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We may be subject to costly product liability or other liability claims and may not be able to obtain adequate insurance.

The use of our drug candidates in clinical trials may result in adverse effects. We cannot predict all the possible harms or adverse effects that may result from our clinical trials. We currently maintain limited product liability insurance. We may not have sufficient resources to pay for any liabilities resulting from a personal injury or other claim excluded from, or beyond the limit of, our insurance coverage. Our insurance does not cover third parties negligence or malpractice, and our clinical investigators and sites may have inadequate insurance or none at all. In addition, in order to conduct clinical trials or otherwise carry out our business, we may have to contractually assume liabilities for which we may not be insured. If we are unable to look to our own or a third party s insurance to pay claims against us, we may have to pay any arising costs and damages ourselves, which may be substantial.

In addition, if we commercially launch drugs based on our drug candidates, we will face even greater exposure to product liability claims. This risk exists even with respect to those drugs that are approved for commercial sale by the FDA and foreign regulatory agencies and manufactured in licensed and regulated facilities. We intend to secure additional limited product liability insurance coverage for drugs that we commercialize, but may not be able to obtain such insurance on acceptable terms with adequate coverage, or at reasonable costs. Even if we are ultimately successful in product liability litigation, the litigation would consume substantial amounts of our financial and managerial resources and may create adverse publicity, all of which would impair our ability to generate sales of the affected product and our other potential drugs. Moreover, product recalls may be issued at our discretion or at the direction of the FDA and foreign regulatory agencies, other governmental agencies or other companies having regulatory control for drug sales. Product recalls are generally expensive and often have an adverse effect on the reputation of the drugs being recalled and of the drug s developer or manufacturer.

We may be required to indemnify third parties against damages and other liabilities arising out of our development, commercialization and other business activities, which could be costly and time-consuming and distract management. If third parties that have agreed to indemnify us against damages and other liabilities arising from their activities do not fulfill their obligations, then we may be held responsible for those damages and other liabilities.

To the extent we elect to fund the development of a drug candidate or the commercialization of a drug at our expense, we will need substantial additional funding.

The discovery, development and commercialization of new drugs is costly. As a result, to the extent we elect to fund the development of a drug candidate or the commercialization of a drug, we will need to raise additional capital to:

- fund clinical trials and seek regulatory approvals;
- expand our research and development capabilities;
- build or access manufacturing and commercialization capabilities;
- implement additional internal systems and infrastructure;
- maintain, defend and expand the scope of our intellectual property; and
- hire and support additional management and scientific personnel.

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

- the rate of progress and costs of our clinical trials and other research and development activities;

the costs and timing of seeking and obtaining regulatory approvals;

the costs associated with establishing manufacturing and commercialization capabilities;

the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;

the costs of acquiring or investing in businesses, products and technologies;

the effect of competing technological and market developments; and

the status of, payment and other terms, and timing of any strategic alliance, licensing or other arrangements that we have entered into or may establish.

Until we can generate a sufficient amount of product revenue to finance our cash requirements, which we may never do, we expect to continue to finance our future cash needs primarily through strategic alliances, public or private equity

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offerings and debt financings. We cannot be certain that additional funding will be available on acceptable terms, or at all. If we are not able to secure additional funding when needed, we may have to delay, reduce the scope of or eliminate one or more of our clinical trials or research and development programs or future commercialization initiatives.

Responding to any claims relating to improper handling, storage or disposal of the hazardous chemicals and radioactive and biological materials we use in our business could be time-consuming and costly.

Our research and development processes involve the controlled use of hazardous materials, including chemicals and radioactive and biological materials. Our operations produce hazardous waste products. We cannot eliminate the risk of accidental contamination or discharge and any resultant injury from those materials. Federal, state and local laws and regulations govern the use, manufacture, storage, handling and disposal of hazardous materials. We may be sued for any injury or contamination that results from our or third parties use of these materials. Compliance with environmental laws and regulations is expensive, and current or future environmental regulations may impair our research, development and production activities.

Our facilities in California are located near an earthquake fault, and an earthquake or other types of natural disasters, catastrophic events or resource shortages could disrupt our operations and adversely affect our results.

All of our facilities and our important documents and records, such as hard copies of our laboratory books and records for our drug candidates and compounds and our electronic business records, are located in our corporate headquarters at a single location in South San Francisco, California near active earthquake zones. If a natural disaster, such as an earthquake or flood, a catastrophic event such as a disease pandemic or terrorist attack, or a localized extended outage of critical utilities or transportation systems occurs, we could experience a significant business interruption. Our partners and other third parties on which we rely may also be subject to business interruptions from such events. In addition, California from time to time has experienced shortages of water, electric power and natural gas. Future shortages and conservation measures could disrupt our operations and cause expense, thus adversely affecting our business and financial results.

Risks Related To an Investment in Our Securities

We expect that our stock price will fluctuate significantly, and you may not be able to resell your shares at or at or above your investment price.

The stock market, particularly in recent years, has experienced significant volatility, particularly with respect to pharmaceutical, biotechnology and other life sciences company stocks, which often does not relate to the operating performance of the companies represented by the stock. Factors that could cause volatility in the market price of our common stock include, but are not limited to:

- announcements concerning any of the clinical trials for our compounds, such as omecamtiv mecarbil for heart failure and tirasemtiv for the potential treatment of diseases associated with muscle weakness or wasting or neuromuscular dysfunction (including, but not limited to, the timing of initiation or completion of such trials and the results of such trials, and delays or discontinuations of such trials, including delays resulting from slower than expected or suspended patient enrollment or discontinuations resulting from a failure to meet pre-defined clinical end points);
- announcements concerning our strategic alliance with Amgen or future strategic alliances;
- failure or delays in entering additional drug candidates into clinical trials;
- 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;

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;

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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 July 23, 2012, our executive officers, directors and their affiliates beneficially owned or controlled approximately 8.1% 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 Global Market (NASDAQ) 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 development 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 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.

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 Securities and Exchange Commission (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.

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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 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.

Our common stock may be at risk for delisting from NASDAQ in the future. Delisting could adversely affect the liquidity of our common stock and the market price of our common stock could decrease.

Our common stock is currently listed on NASDAQ. The NASDAQ Stock Market LLC has minimum requirements that a company must meet in order to remain listed on NASDAQ. These requirements include maintaining a minimum closing bid price of $1.00 per share. On June 18, 2012, we received from NASDAQ a deficiency notice stating that our common stock had remained under $1.00 per share for thirty consecutive trading days beginning on May 4, 2012. If the closing bid price of our common stock does not reach at least $1.00 per share for a minimum of ten consecutive trading days during the one hundred eighty calendar days ending December 17, 2012, NASDAQ may provide written notification that they will delist our common stock from trading on The NASDAQ Global Market. At that time, we may appeal the determination to a Listing Qualifications Panel. We are considering various options to avoid having our common stock delisted from The NASDAQ Global Market. However, we cannot be certain that any of these options will enable us to satisfy NASDAQ s minimum stock price requirement or other listing requirements or that we can avoid having our common stock delisted.

If our common stock were to be delisted, the liquidity of our common stock would be adversely affected and the market price of our common stock could decrease. In addition, if delisted we would no longer be subject to NASDAQ rules, including rules requiring us to have a certain number of independent directors and to meet other corporate governance standards. Our failure to be listed on NASDAQ or another established securities market would have a material adverse effect on the value of your investment in us.

If our common stock is not listed on NASDAQ or another national exchange, the trading price of our common stock is below $5.00 per share and we have net tangible assets of $6,000,000 or less, the open-market trading of our common stock will be subject to the penny stock rules promulgated under the Securities Exchange Act of 1934, as amended. If our shares become subject to the penny stock rules, broker-dealers may find it difficult to effectuate customer transactions and trading activity in our securities may be adversely affected. Under these rules, broker-dealers who recommend such securities to persons other than institutional accredited investors must:

make a special written suitability determination for the purchaser;

receive the purchaser s written agreement to the transaction prior to sale;

provide the purchaser with risk disclosure documents which identify certain risks associated with investing in penny stocks and which describe the market for these penny stocks as well as a purchaser s legal remedies; and

obtain a signed and dated acknowledgment from the purchaser demonstrating that the purchaser has actually received the required risk disclosure document before a transaction in a penny stock can be completed.

As a result of these requirements, the market price of our securities may be adversely impacted, and current stockholders may find it more difficult to sell our securities.

Our stockholders will experience substantial additional dilution if shares of our preferred stock are converted into, or outstanding options or warrants are exercised for, common stock.

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As of the date of this report, there are 8,070 shares of our Series A convertible preferred stock outstanding, which are convertible, without payment of additional consideration, into 8,070,000 shares of our common stock, and 23,026 shares of our Series B convertible preferred stock outstanding, which are convertible, without payment of additional consideration, into 23,026,000 shares of our common stock. As of July 23, 2012, there were 54,053,225 shares of common stock issuable upon the exercise of warrants, having a weighted average exercise price of $0.98 per share, and 11,038,583 shares of common stock issuable upon the exercise of stock options outstanding, having a weighted average exercise price of $3.15 per share. The conversion of the outstanding shares of our Series A convertible preferred stock or of our Series B convertible preferred stock into, or 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.

If we raise additional capital by issuing securities in the future, it will cause dilution to existing stockholders and may cause our share price to decline.

We may raise additional funds through the issuance and sale of additional shares of our common stock or other securities convertible into or exchangeable for our common stock. For example, in June 2011, we entered into an At-the-Market Issuance Sales Agreement (the ATM Agreement) with McNicoll, Lewis & Vlak LLC (MLV), pursuant to which we may issue and sell shares of our common stock having an aggregate offering price up to $20.0 million, from time to time, through MLV as our sales agent. It is anticipated that these additional shares may be sold through MLV over a period of up to 36 months from June 2011. The number of shares ultimately offered for sale by MLV is dependent upon the number of shares that we elect to sell through MLV under the ATM Agreement. Depending upon market liquidity at the time, sales of shares of our common stock through MLV under the ATM Agreement may cause the trading price of our common stock to decline.

To the extent that we raise additional capital by issuing equity securities under the ATM Agreement or otherwise, our stockholders will experience additional dilution, and any such issuances may result in downward pressure on the price of our common stock.

Sales of our common stock through our June 2012 public offerings or other equity offerings could trigger a limitation on our ability to use our net operating losses and tax credits in the future.

The Tax Reform Act of 1986 (the Tax Reform Act) limits the annual use of net operating loss and tax credit carryforwards in certain situations where changes occur in stock ownership of a company. In the event we have a change in ownership, as defined in the Tax Reform Act, the annual utilization of such carryforwards could be limited. The equity issued in connection with our June 2012 public offerings or other equity issuances could trigger a limitation on our ability to use our net operating losses and tax credits in the future under Sections 382 and 383 of the Internal Revenue Code as enacted by the Tax Reform Act.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
1.1(1)	Underwriting Agreement, dated as of June 20, 2012.
1.2(1)	Underwriting Agreement, dated as of June 20, 2012.
3.1(2)	Amended and Restated Certificate of Incorporation.
3.2(3)	Certificate of Amendment of Amended and Restated Certificate of Incorporation.
3.3(4)	Amended and Restated Bylaws.
3.4(5)	Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock.
3.5(1)	Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock.
4.1(6)	Specimen Common Stock Certificate.
4.2(7)	Registration Rights Agreement, dated as of December 29, 2006, by and between the Company and Amgen Inc.
4.3(5)	Form of Warrant to Purchase Common Stock of Cytokinetics, Inc.
4.4(8)	Form of Common Stock Warrant Agreement.
4.5(8)	Form of Preferred Stock Warrant Agreement.
4.6	Form of Warrant.
10.2	2004 Equity Incentive Plan, as amended.
*10.43(9)	Amendment No. 1, dated May 1, 2012, to Consulting Agreement between Cytokinetics, Inc. and David J. Morgans, dated November 1, 2011.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of the Chief Executive Officer and the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).
101.INS **	XBRL Instance Document.
101.SCH **	XBRL Taxonomy Extension Schema Document.
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document.

(1) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 20, 2012.
(2) Incorporated by reference from our registration statement on Form S-3, registration number 333-174869, filed with the Securities and Exchange Commission on June 13, 2011.
(3) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on August 4, 2011.
(4) Incorporated by reference from our registration statement on Form S-1, registration number 333-112261, declared effective by the Securities and Exchange Commission on April 29, 2004.
(5) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 18, 2011.
(6) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the Security and Exchange Commission on May 9, 2007.

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(7) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 3, 2007.
(8) Incorporated by reference from our registration statement on Form S-3, registration number 333-178189, filed with the Securities and Exchange Commission on November 25, 2011.
(9) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the Security and Exchange Commission on May 4, 2012.
* 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 of 1933 or Rule 24b-2 under the Securities Exchange Act of 1934, as applicable.
** Furnished herewith. In accordance with Rule 406T of Regulation S-T, the information in these exhibits shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to liability under that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

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SIGNATURES

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

Dated: August 6, 2012

CYTOKINETICS, INCORPORATED
(Registrant)

/s/ Robert I. Blum
Robert I. Blum
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Sharon A. Barbari
Sharon A. Barbari
Executive Vice President, Finance and

Chief Financial Officer
(Principal Financial Officer)

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EXHIBIT INDEX

Exhibit Number	Exhibit Description
1.1(1)	Underwriting Agreement, dated as of June 20, 2012.
1.2(1)	Underwriting Agreement, dated as of June 20, 2012.
3.1(2)	Amended and Restated Certificate of Incorporation.
3.2(3)	Certificate of Amendment of Amended and Restated Certificate of Incorporation.
3.3(4)	Amended and Restated Bylaws.
3.4(5)	Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock.
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