CYTOKINETICS INC
Form 10-K
March 11, 2011

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

Form 10-K

ANNUAL REPORT UNDER SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010

or

o **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)*

Robert I. Blum
President and Chief Executive Officer
280 East Grand Avenue
South San Francisco, CA 94080
(650) 624-3000
(Address, including zip code, or registrant s principal executive offices and telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $0.001 par value	The NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ No o

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 o No o

* The registrant has not yet been phased into the interactive data requirements.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates was $118.2 million computed by reference to the last sales price of $2.37 as reported by the NASDAQ Global Market, as of the last business day of the Registrant s most recently completed second fiscal quarter, June 30, 2010. This calculation does not reflect a determination that certain persons are affiliates of the Registrant for any other purpose.

The number of shares outstanding of the Registrant s common stock on February 28, 2011 was 66,910,100 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s Proxy Statement for its 2011 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission, are incorporated by reference to Part III of this Annual Report on Form 10-K.

CYTOKINETICS, INCORPORATED

FORM 10-K
Year Ended December 31, 2011

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PART I

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 2011;

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, progress, timing and scope of clinical trials and development activities for our drug candidates and potential drug candidates conducted by ourselves or our partners, such as Amgen, Inc. (Amgen), 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 pre-clinical studies of our drug candidates and other compounds, and the significance and utility of such results;

our plans to file an investigational new drug application (IND) for CK-2066260 with the U.S. Food and Drug Administration (FDA);

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

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, such as with Amgen;

our plans to seek strategic alternatives for our mitotic kinesin inhibitor drug candidates with third parties;

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;

the issuance of shares of our common stock under our committed equity financing facility entered into with Kingsbridge Capital Limited (Kingsbridge) in 2007;

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;

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

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 development activities for omecamtiv mecarbil, including decisions to postpone or discontinue research or development activities relating to omecamtiv mecarbil;

our ability to obtain additional financing;

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

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 our partners 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;

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

the conditions in our 2007 committed equity financing facility with Kingsbridge that must be fulfilled before we can require Kingsbridge to purchase our common stock, including the minimum volume-weighted average share price;

our ability to maintain the effectiveness of our registration statement permitting resale of securities to be issued to Kingsbridge by us in connection with our 2007 committed equity financing facility;

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

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;

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.

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Item 1. *Business*

Overview

We were incorporated in Delaware in August 1997 as Cytokinetics, Incorporated. We are a clinical-stage biopharmaceutical company focused on the discovery and development of novel small molecule therapeutics that modulate muscle function for the potential treatment of serious diseases and medical conditions. Our research and development activities relating to the biology of muscle function have evolved from our knowledge and expertise regarding the cytoskeleton, a complex biological infrastructure that plays a fundamental role within every human cell. Our 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 cardiac muscle contractility program is focused on the cardiac sarcomere, the basic unit of muscle contraction in the heart. Our lead drug candidate from this program, omecamtiv mecarbil (formerly known as CK-1827452), is a novel cardiac muscle myosin activator. We have conducted a clinical development program for omecamtiv mecarbil for the potential treatment of heart failure, comprised of a series of Phase I and Phase IIa clinical trials. In May 2009, Amgen acquired an exclusive license to develop and commercialize omecamtiv mecarbil worldwide, except Japan, subject to our development and commercialization participation rights. Further details regarding our strategic alliance with Amgen can be found below in Item 1 of this report under Muscle Contractility Focus Cardiac Muscle Contractility Program Amgen Strategic Alliance.

CK-2017357 is the lead drug candidate from our skeletal sarcomere activator program. The skeletal muscle sarcomere is the basic unit of skeletal muscle contraction. CK-2017357 is currently the subject of a Phase IIa clinical trials program. We believe CK-2017357 may be useful in treating diseases or medical conditions associated with skeletal muscle weakness or wasting. In March 2010, CK-2017357 received an orphan drug designation from the FDA for the treatment of amyotrophic lateral sclerosis (also known as ALS or Lou Gehrig s disease). We are also advancing a second, structurally distinct, fast skeletal muscle sarcomere activator, CK-2066260, in non-clinical studies intended to enable the filing of an IND with the FDA. Both of these compounds selectively activate the fast skeletal muscle troponin complex, which is a set of regulatory proteins that modulates the contractility of the fast skeletal muscle sarcomere.

In our smooth muscle contractility program, we are conducting non-clinical development of compounds that directly inhibit smooth muscle myosin, the motor protein central to the contraction of smooth muscle. These compounds cause the relaxation of contracted smooth muscle, and so may be useful as potential treatments for diseases and conditions associated with excessive smooth muscle contraction, such as bronchoconstriction associated with asthma and chronic obstructive pulmonary disease.

Earlier research activities at the company were directed to the inhibition of mitotic kinesins, a family of cytoskeletal motor proteins involved in the process of cell division, or mitosis. This research produced three drug candidates that have progressed into clinical testing for the potential treatment of cancer: ispinesib, SB-743921 and GSK-923295. Effective February 2010, our strategic alliance with GlaxoSmithKline (GSK) relating to our mitotic kinesin inhibitors terminated by mutual agreement. We are currently evaluating strategic alternatives for these drug candidates with third parties.

Two of our drug candidates directed to muscle contractility have now demonstrated pharmacodynamic activity in patients: omecamtiv mecarbil in patients with heart failure and CK-2017357 in patients with ALS. In 2011, we expect to focus on translating the observed pharmacodynamic activity of these compounds into potentially meaningful clinical benefits for these patients. Our potential drug candidate CK-2066260 has demonstrated

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pharmacological activity in preclinical models. Following is a summary of the planned clinical and non-clinical development activities for our drug candidates and potential drug candidates directed to muscle contractility:

Potential/Drug Candidate	Mechanism of Action	Mode of Administration	Potential Indication(s)	Planned 2011 Development Activities
Omecamtiv mecarbil	cardiac muscle myosin activator	intravenous	heart failure	We anticipate that Amgen will initiate a Phase IIb clinical trial in hospitalized acute heart failure patients with left ventricular systolic dysfunction in 1H 2011.
Omecamtiv mecarbil	cardiac muscle myosin activator	oral	heart failure	We and Amgen are discussing the development strategy for oral formulations of omecamtiv mecarbil.
CK-2017357	fast skeletal muscle troponin activator	oral	diseases and conditions associated with muscle weakness or wasting*	We anticipate: continuing our Phase IIa trial in patients with claudication; data anticipated in 1H 2011. continuing our Phase IIa trial in patients with myasthenia gravis; data anticipated by the end of 2011. initiating a Phase I drug-drug interaction study in healthy volunteers in 1H 2011. initiating a Phase II multi-dose trial in ALS patients mid-year 2011 following availability of data from the riluzole arm from the drug-drug interaction study.
CK-2066260	fast skeletal muscle troponin activator	oral	diseases and conditions associated with muscle weakness or wasting*	We anticipate: filing an IND by mid-year 2011. initiating a first-in-humans Phase I clinical trial in healthy volunteers in 2H 2011.

* e.g., ALS, claudication, sarcopenia, cachexia, myasthenia gravis

During 2011, we intend to continue non-clinical development activities associated with our smooth muscle myosin inhibitors.

All of our drug candidates and potential drug candidates have arisen from our cytoskeletal research activities. Our focus on the biology of the cytoskeleton distinguishes us from other biopharmaceutical companies, and potentially positions us to discover and develop novel therapeutics that may be useful for the treatment of severe diseases and medical conditions. We believe that this focus and the resulting knowledge and expertise that we have developed, especially with our proprietary technologies that permit us to evaluate the function of cytoskeletal proteins in high information content biological assays, has allowed us to increase the efficiency of our drug discovery activities. Our research and development activities since our inception in 1997 have produced five drug candidates that have progressed into clinical testing and one potential drug candidate currently in non-clinical development for which we plan to file an IND. Each has a novel mechanism of action compared to currently marketed drugs, which we believe validates our focus on the cytoskeleton as a robust area for drug discovery. We intend to leverage our experience in muscle contractility in order to expand our current pipeline, and expect to continue to be able to identify additional potential drug candidates that may be suitable for clinical development.

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Our Corporate Strategy

Our goal is to discover, develop and commercialize novel drug products that modulate muscle function in ways that may benefit patients with disorders that cause serious diseases or medical conditions, with the intent of establishing a fully integrated biopharmaceutical company. We intend to achieve this by:

Focusing on drug discovery and development activities relating to the biology of muscle function. We intend to capitalize on the knowledge and expertise we have acquired in each of our cardiac, skeletal muscle and smooth muscle contractility research and development programs. In these programs, we are investigating potential treatments for diseases or medical conditions where impaired regulation of the contractile function of muscle plays a key role and such diseases or conditions may be amenable to treatment by modulation of muscle contractility, such as heart failure, and medical conditions associated with skeletal muscle weakness or wasting. Many of these diseases and medical conditions affect in particular the growing population of aging patients, a demographic that is the subject of increasing regulatory and reimbursement attention. Accordingly, targeting unmet medical needs in these areas may provide us competitive opportunities.

Leveraging our cytoskeletal expertise and proprietary technologies to increase the speed, efficiency and yield of our drug discovery and development processes. We believe that our unique understanding of the cytoskeleton and our proprietary research technologies should enable us to discover and potentially to develop drug candidates with novel mechanisms of action that may offer potential benefits not provided by existing drugs. We expect that we may be able to leverage our expertise in muscle contractility to advance to other muscle functions and similarly may impact serious medical diseases and conditions. This may allow us to develop a diversified pipeline of drug candidates in a cost-effective way while managing risk.

Building development and commercialization capabilities directed at concentrated markets. We focus our drug discovery and development activities on disease areas for which there are serious unmet medical needs. In particular, we direct our activities to potential commercial opportunities in concentrated and tractable customer segments, such as hospital specialists, that may be addressed by a smaller, targeted sales force. In this manner, we believe that a company with limited resources may be able to compete effectively against larger, more established companies with greater financial and commercial resources. For these opportunities, we intend to develop clinical development and sales and marketing capabilities with the goal of becoming a fully-integrated biopharmaceutical company.

Establishing select strategic alliances to support our drug development programs while preserving significant development and commercialization rights. We believe that such alliances may allow us to obtain financial support and to capitalize on the therapeutic area expertise and resources of our partners that can potentially accelerate the development and commercialization of our drug candidates. Where we deem appropriate, we plan to retain certain rights to participate in the development of drug candidates and commercialization of potential drugs arising from our alliances, so that we can expand and capitalize on our internal development capabilities and build our commercialization capabilities.

Muscle Contractility Focus

Our long-standing interest in the cytoskeleton has led us to focus our research and development activities on the biology of muscle function, and in particular, small molecule modulation of muscle contractility. We believe that our expertise in the modulation of the contractility of each of cardiac, skeletal and smooth muscle is an important differentiator for us. Our preclinical and clinical experience in muscle contractility may position us to discover and develop additional novel therapies that have the potential to improve the health of patients with severe and debilitating diseases or medical conditions.

Small molecules that affect muscle contractility may have several applications for a variety of serious diseases and medical conditions. For example, heart failure is a disease often characterized by impaired cardiac muscle contractility which may be treated by modulating the contractility of cardiac muscle; certain neuromuscular diseases and medical conditions associated with muscle weakness may be amenable to treatment by enhancing the

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contractility of skeletal muscle; and asthma and chronic obstructive pulmonary disease are diseases in which constriction of the airways may be treated by relaxation of the airway smooth muscle.

Because each muscle type may be relevant to multiple diseases or medical conditions, we believe we can leverage our expertise in each of cardiac, skeletal and smooth muscle contractility to more efficiently discover and develop as potential drugs compounds that modulate the applicable muscle type for multiple indications. In addition, muscle has biological functions other than contractility. Accordingly, our knowledge and expertise could also serve as an entry point to the discovery of novel treatments for disorders involving muscle functions other than muscle contractility, such as metabolism, growth and energetics.

We are currently developing a number of small molecule compounds arising from our muscle contractility programs. Omecamtiv mecarbil, a novel cardiac muscle myosin activator, was studied by Cytokinetics in a series of Phase I and Phase IIa clinical trials for the potential treatment of heart failure. Following the exercise of its option, Amgen is responsible for the clinical development of omecamtiv mecarbil, subject to Cytokinetics development and commercialization participation rights.

CK-2017357 is our lead drug candidate from our skeletal muscle contractility program, and has been the subject of two Phase I clinical trials in healthy volunteers. We have initiated three Phase IIa clinical trials of CK-2017357. We have completed one of these trials; the other two are ongoing. We plan to initiate additional clinical trials of CK-2017357. Potential indications for which this drug candidate may be useful include skeletal muscle weakness associated with neuromuscular diseases and other medical conditions characterized by skeletal muscle weakness or wasting. We are also advancing a potential drug candidate from this program, CK-2066260 in non-clinical studies intended to enable the filing of an IND in 2011.

In addition, we are conducting research and non-clinical development of compounds that inhibit smooth muscle myosin for potential use as bronchodilators, vasodilators, or both. We are continuing to conduct discovery, characterization and lead optimization activities for other compounds with the potential to modulate muscle contractility and other muscle functions, such as growth, energetics and metabolism.

Cardiac Muscle Contractility Program

Overview. Our cardiac muscle contractility program is focused on the cardiac sarcomere, the basic unit of muscle contraction in the heart. The cardiac sarcomere is a highly ordered cytoskeletal structure composed of cardiac muscle myosin, actin and a set of regulatory proteins. This program is currently directed towards the discovery and development of small molecule cardiac muscle myosin activators with the goal of developing novel drugs to treat acute and chronic heart failure. Cardiac muscle myosin is the cytoskeletal motor protein in the cardiac muscle cell. It is directly responsible for converting chemical energy into the mechanical force, resulting in cardiac muscle contraction. This program is based on the hypothesis that activators of cardiac muscle myosin may address certain adverse properties of existing positive inotropic agents. Current positive inotropic agents, such as beta-adrenergic receptor agonists or inhibitors of phosphodiesterase activity, increase the concentration of intracellular calcium, thereby increasing cardiac sarcomere contractility. The effect on calcium levels, however, also has been linked to potentially life-threatening side effects. In contrast, our novel cardiac muscle myosin activators work by a mechanism that directly stimulates the activity of the cardiac muscle myosin motor protein, without increasing the intracellular calcium concentration. They accelerate the rate-limiting step of the myosin enzymatic cycle and shift it in favor of the force-producing state. Rather than increasing the velocity of cardiac contraction, this mechanism instead lengthens the systolic ejection time, which results in increased cardiac function in a potentially more oxygen-efficient manner.

Background on Heart Failure Market. Heart failure is a widespread and debilitating syndrome affecting millions of people in the United States. The high and rapidly growing prevalence of heart failure translates into significant

hospitalization rates and associated societal costs. About 5.7 million people in the United States have heart failure, resulting in nearly one million hospital discharges with the primary diagnosis of heart failure and approximately 300,000 deaths each year. For people over 65 years of age, heart failure incidences approach 10 per 1000 and approximately 50% of people diagnosed with heart failure will die within 5 years of diagnosis. These numbers are increasing due to the aging of the U.S. population and an increased likelihood of survival following

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acute myocardial infarctions. The costs to society attributable to the prevalence of heart failure are high, especially as many chronic heart failure patients suffer repeated acute episodes. Despite currently available therapies, readmission rates for heart failure patients remain high. It is estimated that between 13% and 33% of patients initially admitted to the hospital for chronic heart failure will be readmitted within 12 to 15 months of the initial admission. Mortality rates over the five-year period following a diagnosis of heart failure are approximately 60% in men and 45% in women. The high morbidity and mortality in the setting of current therapies points to the need for novel therapeutics that offer further reductions in morbidity and mortality. The annual cost of heart failure to the U.S. health care system is estimated to be $39 billion. A portion of that cost is attributable to drugs used to treat each of chronic and acute heart failure. Approximately 70% of those costs are due to hospitalization, home health and physician care. New drug therapies that could reduce the number of hospitalizations could decrease the cost to the health care system.

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

In connection with the exercise of its option, Amgen paid us an 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 (excluding 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.

Omecamtiv Mecarbil (formerly CK-1827452). Our lead drug candidate from this program is omecamtiv mecarbil, a novel cardiac muscle myosin activator. We conducted a clinical trials program for omecamtiv mecarbil comprised of multiple Phase I and Phase IIa clinical trials designed to evaluate the safety, tolerability, pharmacodynamics and pharmacokinetic profiles of both intravenous and oral formulations in a diversity of patients, including patients with stable heart failure and patients with ischemic cardiomyopathy. In these trials, omecamtiv mecarbil exhibited generally linear, dose-proportional pharmacokinetics across the dose ranges studied. The adverse effects observed at intolerable doses in humans appeared similar to the adverse findings which occurred in preclinical safety studies at similar plasma concentrations. These effects are believed to be related to the mechanism of action of this drug candidate which, at intolerable doses, resulted in an excessive prolongation of the systolic ejection time (i.e.,the time in which the heart is contracting). However, these effects resolved promptly with discontinuation of the infusions of omecamtiv mecarbil.

We expect omecamtiv mecarbil to be developed as a potential treatment across the continuum of care in heart failure both as an intravenous formulation for use in the hospital setting and as an oral formulation for use in the outpatient setting.

In September 2010, Cytokinetics and Amgen announced plans to initiate a Phase IIb clinical trial of an intravenous formulation of omecamtiv mecarbil in hospitalized patients with acutely decompensated heart failure prior to initiating further clinical trials of oral formulations of omecamtiv mecarbil. We anticipate that, in the first half of 2011, Amgen

will initiate this trial, which will be conducted by Amgen in collaboration with Cytokinetics. This trial is planned to be an international, multicenter, randomized, double-blind, placebo-controlled study in approximately 600 patients, enrolled sequentially in three ascending-dose cohorts. In each cohort, patients will be randomized to receive omecamtiv mecarbil or placebo. The primary objective of the trial will be to evaluate the

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effect of 48 hours of intravenous omecamtiv mecarbil compared to placebo on dyspnea (shortness of breath) in patients with left ventricular systolic dysfunction hospitalized for acute heart failure. The secondary objectives will be to assess the safety and tolerability of three dose levels of intravenous omecamtiv mecarbil compared with placebo and to evaluate the effects of 48 hours of treatment with intravenous omecamtiv mecarbil on additional measures of dyspnea, patients global assessments, change in N-terminal pro brain-type natriuretic peptide (a biomarker associated with the severity of heart failure) and short-term clinical outcomes in these patients. In addition, the trial will evaluate the relationship between omecamtiv mecarbil plasma concentrations and echocardiographic parameters in patients with acute heart failure.

We and Amgen are discussing the development strategy for oral formulations of omecamtiv mecarbil. We anticipate that these plans may include studies designed to investigate the safety, tolerability and pharmacokinetics of multiple oral formulations of omecamtiv mecarbil.

Ongoing Research in Cardiac Muscle Contractility. We have agreed with Amgen upon a research plan focused on joint research activities in 2011 that will be directed to potential next-generation compounds in our cardiac muscle contractility program.

Skeletal Muscle Contractility Program

Overview. Our skeletal muscle contractility program is focused on the activation of the skeletal sarcomere, the basic unit of skeletal muscle contraction. The skeletal sarcomere is a highly ordered cytoskeletal structure composed of skeletal muscle myosin, actin, and a set of regulatory proteins, which include the troponins and tropomyosin. This program leverages our expertise developed in our ongoing discovery and development of cardiac sarcomere activators, including the cardiac muscle myosin activator omecamtiv mecarbil.

Our skeletal sarcomere activators have demonstrated pharmacological activity in preclinical studies that may lead to new therapeutic options for diseases and medical conditions associated with aging, muscle weakness and wasting and neuromuscular dysfunction. The clinical effects of muscle weakness and wasting, fatigue and loss of mobility can range from decreased quality of life to, in some instances, life-threatening complications. By directly improving skeletal muscle function, a small molecule activator of the skeletal sarcomere potentially could enhance functional performance and quality of life in patients suffering from diseases or medical conditions characterized or complicated by muscle weakness or wasting. These may include diseases and medical conditions associated with skeletal muscle weakness or wasting, such as ALS, claudication (which usually refers to cramping pains and fatigue in the leg muscles associated with peripheral artery disease), myasthenia gravis, sarcopenia, post-surgical rehabilitation and general frailty associated with aging, and cachexia in connection with heart failure or cancer.

CK-2017357 is the lead potential drug candidate from this program. We are also advancing another compound from this program, CK-2066260, in non-clinical studies intended to enable the filing of an IND. CK-2017357 and CK-2066260 are structurally distinct and selective small molecule activators of the fast skeletal sarcomere. These compounds activate the fast skeletal muscle troponin complex by increasing its sensitivity to calcium, leading to an increase in skeletal muscle contractility.

Each of CK-2017357 and CK-2066260 has demonstrated encouraging pharmacological activity in preclinical models, and with respect to CK-2017357, in healthy volunteers and ALS patients. We are evaluating the potential indications for which CK-2017357 and CK-2066260 may be useful. In a recent Phase IIa clinical trial of CK-2017357 in ALS patients, evidence of potentially clinically relevant pharmacodynamic effects was observed. In March 2010, CK-2017357 received an orphan drug designation from the FDA for the treatment of ALS. In July 2010, we were awarded a grant in the amount of $2.8 million by the National Institute of Neurological Disorders and Stroke, which is intended to support research and development of CK-2017357 for the potential treatment of myasthenia gravis for

three years. The grant was awarded under the American Recovery and Reinvestment Act of 2009.

We have initiated three evidence of effect Phase IIa clinical trials of CK-2017357: one trial in patients with ALS, which was completed in December 2010, one ongoing trial in patients with symptoms of claudication associated with peripheral artery disease, and one ongoing trial in patients with generalized myasthenia gravis. Our evidence of effect clinical trials are intended to translate the mechanism of action of CK-2017357, as demonstrated

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pharmacodynamically in healthy volunteers, to patients with impaired muscle function and potentially to establish statistically significant and clinically relevant evidence of pharmacodynamic effects. These trials may then form the basis for larger clinical trials designed to demonstrate proof of concept.

Market Potential for CK-2017357, CK-2066260 and Other Skeletal Sarcomere Activators. Limited options exist for the treatment of ALS, which affects as many as 30,000 Americans, with an estimated 5,600 new cases diagnosed each year in the U.S. ALS is 20% more common in men than women; however, with increasing age, the prevalence becomes more equal between men and women. The life expectancy of an ALS patient averages two to five years from the time of diagnosis with 90 to 95% of those diagnosed with ALS having the sporadic form. Of the remaining ALS patient population, 5 to 10% have a family history of the disease (familial ALS). In cases of familial ALS, there is a 50% chance each offspring will develop the disease. Death is usually due to respiratory failure because of diminished strength in the skeletal muscles responsible for breathing.

Peripheral artery disease (PAD) affects about 8 million Americans, 12 to 20% of whom over the age of 65 years. PAD is associated with significant morbidity and mortality and has been estimated to impact the quality of life of approximately 2 million symptomatic Americans. Estimates of the proportion of PAD patients who have intermittent claudication range from 10% to about one-third to one-half.

Myasthenia gravis is a chronic, autoimmune, neuromuscular disease and is the most common primary disorder of neuromuscular transmission. The current prevalence of myasthenia gravis in the U.S. is estimated to be 20 per 100,000 people between 53,000 and 60,000 cases. The actual prevalence may be higher because myasthenia gravis is frequently under diagnosed. Approximately 13,600 new cases of myasthenia gravis are diagnosed each year.

We are evaluating other market opportunities for CK-2017357, CK-2066260 and other compounds that may arise from our skeletal muscle contractility program.

CK-2017357 Clinical Trials:

Phase I (healthy volunteers): During 2010, we announced data from two Phase I clinical trials evaluating CK-2017357. The first was a two-part, single-dose trial. Part A of this trial was designed to assess the safety, tolerability and pharmacokinetic profile of increasing single oral doses of this drug candidate in healthy male volunteers and to determine its maximum tolerated dose and associated plasma concentrations. The maximum tolerated single dose of CK-2017357 in Part A of the trial was 2000 mg. Part B of this trial was designed to assess the pharmacodynamic effects, versus placebo, of CK-2017357 on skeletal muscle function after single oral doses of 250, 500 and 1000 mg, and to assess the relationship of the effects observed to the associated plasma concentrations of CK-2017357, also in healthy male volunteers. In Part B, CK-2017357 produced concentration-dependent, statistically significant increases versus placebo in the force developed by the tibialis anterior muscle. In both Part A and Part B, CK-2017357 was well-tolerated and no serious adverse events were reported. In Part A, at the single dose that exceeded the maximum tolerated dose, moderately severe dizziness and an episode of syncope (a temporary loss of consciousness) were reported. In both Part A and Part B, adverse events of dizziness and euphoric mood appeared to increase in frequency with escalating doses of CK-2017357; however, at the maximum tolerated dose and below, all these adverse events were characterized as mild in severity.

The second trial was a multiple-dose, Phase I clinical trial of CK-2017357 designed to investigate the safety, tolerability and pharmacokinetic profile of CK-2017357 after multiple oral doses to steady state in healthy male volunteers. This trial evaluated doses of 250 mg and 375 mg that produced plasma concentrations in the range associated with pharmacodynamic activity in Part B of the single-dose Phase I clinical trial. At steady state, both the maximum plasma concentration and the area under the CK-2017357 plasma concentration versus time curve from before dosing until 24 hours after dosing were generally dose-proportional. In general, systemic exposure to

CK-2017357 in this trial was high and inter-subject variability was low. In addition, these multiple-dose regimens of CK-2017357 were well-tolerated, and no serious adverse events were reported. Adverse events included dizziness, headache and euphoric mood. All these events were judged to have been mild in severity, except for one complaint of dizziness that was classified as moderately severe.

Phase IIa (ALS): In April 2010, we initiated and in December 2010, we presented final data from a Phase IIa evidence of effect clinical trial of CK-2017357 in ALS patients. This trial was intended to determine whether the

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mechanism of action of CK-2017357 could produce a pharmacodynamic signal in ALS patients that would warrant further study. Accordingly, no specific primary endpoint was designated. Instead, a broad range of parameters, including patient and physician global assessments, measures of muscle strength and fatigability and indices of pulmonary function, were evaluated. The trial employed a randomized, placebo-controlled, three-period crossover design, and was intended to evaluate the pharmacokinetics and pharmacodynamics of single doses of CK-2017357 in ALS patients. The trial enrolled 67 patients. Patients were administered single oral doses of placebo and of CK-2017357, at each of 250 mg and 500 mg, in a double-blind fashion and in random order, at least 6 days apart. Patients underwent the evaluations described above before each dose, and again at 3, 6, and 24 hours afterwards.

Results from this trial were presented in December 2010 at the Clinical Trials Session at the 21st International Symposium on ALS/Motor Neurone Diseases. Both patients and investigators perceived a positive change in the patients overall status at six hours after dosing with CK-2017357, based on a global assessment in which the patient and the investigator each independently assessed whether the patient was better , same , or worse compared to just before dosing on that day. A clear relationship was observed between improvements in these global assessments and both the CK-2017357 dose and plasma concentration. The investigators proposed that the improvements seen in the patients and investigators global assessments may have resulted from a decrease in the fatigability of the patients muscles, as evidenced by data from a test of sub-maximal hand-grip fatigability. Certain parameters of pulmonary function also trended towards improvement after treatment with CK-2017357, which the investigators proposed might have contributed to the improved patients and investigators global assessments. The investigators also concluded that these single doses of CK-2017357 appeared to be safe and generally well-tolerated by the patients in this trial. There were no serious adverse events judged to have been drug-related, and most adverse events were classified by the investigators as mild. Most reports of dizziness, the most frequent and most clearly dose-related adverse event in the trial, were classified as mild and none were determined to be severe. We plan to present additional analyses of the data from this trial during a Plenary Session at the 63rd Annual Meeting of the American Academy of Neurology in April 2011 in Honolulu, Hawaii.

Phase IIa (claudication): In June 2010, we initiated a Phase IIa evidence of effect clinical trial of CK-2017357 in patients with symptoms of claudication associated with PAD. This clinical trial is a double-blind, randomized, placebo-controlled, three-period crossover, pharmacokinetic and pharmacodynamic study. At least 36 and up to 72 patients may be enrolled in this trial. Patients are administered single oral doses of placebo and of 2 different dose levels of CK-2017357 in a double-blind fashion and in random order, at least 6 days apart. These dose levels were originally 375 mg and 750 mg; however, as described below, the protocol has been amended to lower the 750 mg dose to 500 mg. The primary objective of this clinical trial is to evaluate the pharmacodynamic effects of single doses of CK-2017357 on several measures of skeletal muscle function and fatigability in these patients. The secondary objectives of this trial are to evaluate and characterize the relationship, if any, between the doses and plasma concentrations of CK-2017357 and its pharmacodynamic effects and to evaluate the safety and tolerability of CK-2017357 administered as single oral doses to these patients. In October 2010, we conducted an interim review of data from this trial that suggested potential pharmacodynamic activity of CK-2017357 to increase skeletal muscle performance in these patients. In addition, this review suggested that the single oral doses of CK-2017357 administered were generally well-tolerated by most patients in this trial. However, serious adverse events were reported by two patients: dizziness and mental confusion in one and dizziness and dyskinesia (or abnormal movements) in the other. Both patients required inpatient observation until their symptoms resolved. These events were not life-threatening and appeared to resolve spontaneously and completely without any additional treatment. Following these observations, the protocol was amended to lower the 750 mg dose to 500 mg. We are continuing to conduct this trial and anticipate that data will be available from this trial in the first half of 2011.

Phase IIa (myasthenia gravis): In January 2011, we initiated our third Phase IIa evidence of effect clinical trial of CK-2017357. This clinical trial is a double-blind, randomized, three-period crossover, placebo-controlled, pharmacokinetic and pharmacodynamic study of CK-2017357 in patients with generalized myasthenia gravis. At least

36 and up to 78 patients may be enrolled in this trial. Patients receive, in a double-blind fashion and in random order, a single oral dose of placebo or 250 mg or 500 mg of CK-2017357, at least 7 days apart. The primary objective of this trial is to assess the effects of CK-2017357 on measures of muscle strength, muscle fatigue and pulmonary function. The secondary objectives of this clinical trial are to evaluate and characterize the relationship, if any, between the doses and plasma concentrations of CK-2017357 and its pharmacodynamic effects; to evaluate the

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safety and tolerability of CK-2017357 administered as single doses to patients with myasthenia gravis; and to evaluate the effect of CK-2017357 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 are continuing to conduct this trial, and anticipate that data will be available from this trial by the end of 2011.

CK-2017357 Planned Clinical Development:

In the first half of 2011, we anticipate initiating a Phase I drug-drug interaction clinical trial of CK-2017357 administered orally to healthy volunteers. This trial is intended to evaluate the effects of CK-2017357 on the pharmacokinetics of riluzole and other drugs as well as the pharmacokinetics of CK-2017357 when administered after a meal and when fasting.

In the first half of 2011, we anticipate initiating a Phase II multiple-dose, safety, tolerability, pharmacokinetic and pharmacodynamic clinical trial of CK-2017357 in ALS patients. This trial is expected to evaluate patients receiving daily oral doses of CK-2017357 for up to 14 days. The primary objective of this trial will be to evaluate the safety and tolerability of multiple doses of CK-2017357 in patients with ALS. In addition, patients will be asked to report their ALS symptoms using the ALS Functional Rating Scale-Revised (ALSFRS-R). Patients will also undergo tests of muscle fatigability, certain indices of pulmonary function, and patients and investigators global status assessments. This Phase II trial may be initiated after we have completed the initial part of the Phase I drug-drug interaction trial, which will focus on drug-drug interaction between riluzole and CK-2017357.

CK-2066260 Planned Clinical Development:

We anticipate that, in the first half of 2011, we will file an IND with the FDA to perform a Phase I, first-time-in-humans clinical trial of CK-2066260. We also anticipate initiating that trial in healthy volunteers in the second half of 2011.

Ongoing Research in Skeletal Muscle Activators:

Our research on the direct activation of skeletal muscle continues in two areas. In addition to continuing our work with selective fast skeletal sarcomere activators from new structural series, we are conducting translational research with our existing series of skeletal sarcomere activators to explore the potential clinical applications of this novel approach in preclinical studies. We also have a research program aimed at the discovery and validation of other chemically and pharmacologically distinct mechanisms to activate the skeletal sarcomere.

Smooth Muscle Contractility Program

Overview. Smooth muscle is a non-striated form of muscle that is found in the circulatory, respiratory, digestive and genitourinary organ systems and is responsible for the contractile properties of these tissues. The contractile elements in non-striated muscle are not arranged into sarcomeres and the regulation of smooth muscle differs from that in cardiac and skeletal muscles. Smooth muscle contractility is driven by smooth muscle myosin, a cytoskeletal motor protein that is directly responsible for converting chemical energy into mechanical force. Our smooth muscle contractility program is focused on the discovery and development of small molecule smooth muscle myosin inhibitors, 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 intend to continue to conduct non-clinical development of

compounds from this program.

Ongoing research in smooth muscle myosin inhibitors. In May 2010, a poster summarizing non-clinical data regarding our smooth muscle contractility program was presented at the American Thoracic Society s 2010 International Conference.

We are continuing to conduct early research activities to develop direct smooth muscle myosin inhibitor compounds for potential use in acute or chronic settings. Our research focus is to differentiate our compounds from existing drugs that are bronchodilators or vasodilators that act by indirectly causing smooth muscle relaxation, such

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as commonly used beta-agonists and calcium channel blockers. We are particularly interested in potential applications for our compounds where the benefits of currently available treatments are constrained by adverse side effects or limited effectiveness.

Mitotic Kinesin Inhibitors

We currently have three drug candidates for the potential treatment of cancer: ispinesib, SB-743921 and GSK-923295. All of these arose from our earlier research activities directed to the role of the cytoskeleton in cell division and were progressed under our strategic alliance with GSK. This strategic alliance was established in 2001 to discover, develop and commercialize novel small molecule therapeutics targeting mitotic kinesins for applications in the treatment of cancer and other diseases. Mitotic kinesins are a family of cytoskeletal motor proteins involved in the process of cell division, or mitosis. Under this strategic alliance, we focused primarily on two mitotic kinesins: kinesin spindle protein (KSP) and centromere-associated protein E (CENP-E). Inhibition of KSP or CENP-E interrupts cancer cell division, causing cell death. Ispinesib and SB-743921 are structurally distinct small molecules that specifically inhibit KSP. GSK-923295 specifically inhibits CENP-E.

We agreed with GSK to terminate our strategic alliance effective February 28, 2010. We have retained all rights to ispinesib, SB-743921 and GSK-923295, subject to certain royalty obligations to GSK. GSK remains responsible for completing its Phase I clinical trial of GSK-923295 in cancer patients, at its expense. We are evaluating strategic alternatives for the future development and commercialization of ispinesib, SB-743921 and GSK-923295 with third parties.

Research and Development Expense

Our research and development expense was $38.0 million, $39.8 million and $54.0 million for 2010, 2009 and 2008, respectively, and $415.3 million for the period from August 5, 1997 (date of inception) through December 31, 2010.

Our Patents and Other Intellectual Property

Our policy is to seek patent protection for the technologies, inventions and improvements that we develop that we consider important to the advancement of our business. As of December 31, 2010, we had 120 issued U.S. patents and over 200 additional pending U.S. and foreign patent applications. We also rely on trade secrets, technical know-how and continuing innovation to develop and maintain our competitive position. Our commercial success will depend on obtaining and maintaining patent protection and trade secret protection for our drug candidates and technologies and our successfully defending these patents against third-party challenges. We will only be able to protect our technologies from unauthorized use by third parties to the extent that valid and enforceable patents cover them or we maintain them as trade secrets.

With regard to our drug candidates directed to muscle biology targets, we have a U.S. patent covering omecamtiv mecarbil and a U.S. patent covering our skeletal muscle sarcomere activators including, but not limited to, CK-2017357, each of which will expire in 2027 unless extended. We also have additional U.S. and foreign patent applications pending for each of our drug candidates and potential drug candidates. It is not known or determinable whether other patents will issue from any of our other pending applications or what the expiration dates would be for any other patents that do issue. With regard to our mitotic kinesin inhibitor drug candidates, we have a U.S. patent covering ispinesib that will expire in 2020, unless extended; a U.S. patent covering SB-743921 that will expire in 2023, unless extended; and a U.S. patent covering GSK-923295 that will expire in 2025, unless extended. We have additional U.S. and foreign patent applications pending for each of ispinesib, SB-743921 and GSK-923295. It is not known or determinable whether patents will issue from any of these applications or what the expiration dates would be for any other patents that do issue.

All of our drug candidates are still in clinical development and have not yet been approved by the FDA. If any of these drug candidates is approved, then pursuant to federal law, we may apply for an extension of the U.S. patent term for one patent covering the approved drug, which could extend the term of the applicable patent by up to a maximum of five additional years.

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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 that the U.S. Patent and Trademark Office and its foreign counterparts use to 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. For example:

- 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.

The defense and prosecution of intellectual property infringement suits, interferences, oppositions and related legal and administrative proceedings are costly, time-consuming to pursue and result in diversion of resources. The outcome of these types of proceedings is uncertain and could significantly harm 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. U.S. and foreign issued patents and pending patent applications owned by third parties exist that may be relevant to the therapeutic areas and chemical compositions of our drug candidates and potential drug candidates. While we are aware of certain relevant patents and patent applications owned by third parties, there may be issued patents or pending applications of which we are not aware that could cover our drug candidates. Because patent applications are often not published immediately after filing, 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.

Currently, we are aware of an issued U.S. patent, at least one pending U.S. patent application and certain foreign patent applications assigned to Curis, Inc. (Curis), relating to certain compounds in the quinazolinone class. Ispinesib falls into this class of compounds. We have opposed the granting of certain of these patents to Curis in Europe and in Australia. Curis or a third party may assert that the manufacture, use, importation or sale of ispinesib may infringe one or more of its patents. We believe that we have valid defenses against the issued U.S. patent owned by Curis if it were to be asserted against us. However, we cannot guarantee that a court would find these defenses valid or that any additional defenses would be successful. We have not attempted to obtain a license to these patents. If we decide to seek a license to these patents, we cannot guarantee that such a license would be available on acceptable terms, if at all.

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The development of our drug candidates and the commercialization of any resulting drugs may be impacted by patents of companies engaged in competitive programs with significantly greater resources. This could result in the expenditure of significant legal fees and management resources.

We also rely on trade secrets to protect our technology, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are often difficult to protect, especially outside of the United States. While we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors, partners and other advisors may unintentionally or willfully disclose our trade secrets to competitors. Enforcing a claim that a third party illegally obtained and is 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, our competitors may independently develop information that is equivalent or similar to our trade secrets.

We seek to protect our intellectual property by requiring our employees, consultants, contractors and other advisors to execute nondisclosure and invention assignment agreements upon commencement of their employment or engagement, through which we seek to protect our intellectual property. Agreements with our employees also preclude them from bringing the proprietary information or materials of third parties to us. We also require confidentiality agreements or material transfer agreements from third parties that receive our confidential information or materials.

For further details on the risks relating to our intellectual property, please see the risk factors under Item 1A of this report, including, but not limited to, the risk factors entitled Our success depends substantially upon our ability to obtain and maintain intellectual property protection relating to our drug candidates and research technologies and 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.

Government Regulation

The FDA and comparable regulatory agencies in state and local jurisdictions and in foreign countries impose substantial requirements upon the clinical development, manufacture, marketing and distribution of drugs. These agencies and other federal, state and local entities regulate research and development activities and the testing, manufacture, quality control, labeling, storage, record keeping, approval, advertising and promotion of our drug candidates and drugs.

In the United States, the FDA regulates drugs under the Federal Food, Drug and Cosmetic Act and implementing regulations. The process required by the FDA before our drug candidates may be marketed in the United States generally involves the following:

- completion of extensive preclinical laboratory tests, preclinical animal studies and formulation studies, all performed in accordance with the FDA s good laboratory practice regulations;
- submission to the FDA of an investigational new drug application (IND), which must become effective before clinical trials may begin;
- performance of adequate and well-controlled clinical trials to establish the safety and efficacy of the drug candidate for each proposed indication in accordance with good clinical practices;
- submission of a new drug application (NDA) to the FDA, which must usually be accompanied by payment of a substantial user fee;

satisfactory completion of an FDA preapproval inspection of the manufacturing facilities at which the product is produced to assess compliance with current good manufacturing practice (cGMP) regulations and FDA audits of select clinical investigator sites to assess compliance with good clinical practices (GCP); and

FDA review and approval of the NDA prior to any commercial marketing, sale or shipment of the drug.

This testing and approval process requires substantial time, effort and financial resources, and we cannot be certain that any approvals for our drug candidates will be granted on a timely basis, if at all.

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Preclinical tests include laboratory evaluation of product chemistry, formulation and stability, and studies to evaluate toxicity and pharmacokinetics in animals. The results of preclinical tests, together with manufacturing information and analytical data, are submitted as part of an IND application to the FDA. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day period, raises concerns or questions about the conduct of the clinical trial, including concerns that human research subjects may be exposed to unreasonable health risks. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. Similar regulatory procedures generally apply in those countries outside of the United States where we conduct clinical trials. Our submission of an IND or a foreign equivalent, or those of our collaborators, may not result in authorization from the FDA or its foreign equivalent to commence a clinical trial. A separate submission to an existing IND must also be made for each successive clinical trial conducted during product development. Further, an independent institutional review board (IRB) or its foreign equivalent for each medical center proposing to conduct the clinical trial must review and approve the plan for any clinical trial before it commences at that center and it must monitor the clinical trial until completed. The FDA, the IRB or their foreign equivalents, or the clinical trial sponsor may suspend a clinical trial at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk.

Clinical Trials: For purposes of an NDA submission and approval, clinical trials are typically conducted in the following three sequential phases, which may overlap:

Phase I: These clinical trials are initially conducted in a limited population to test the drug candidate for safety, dose tolerance, absorption, metabolism, distribution and excretion in healthy humans or, on occasion, in patients. In some cases, a sponsor may decide to conduct a Phase Ib clinical trial, which is a second, safety-focused Phase I trial typically designed to evaluate the pharmacokinetics and tolerability of the drug candidate in combination with currently approved drugs.

Phase II: These clinical trials are generally conducted in a limited patient population to identify possible adverse effects and safety risks, to make an initial determination of potential efficacy of the drug candidate for specific targeted indications and to determine dose tolerance and optimal dosage. Multiple Phase II clinical trials may be conducted by the sponsor to obtain information prior to beginning larger and more expensive Phase III clinical trials. Phase IIa clinical trials generally are designed to study the pharmacokinetic or pharmacodynamic properties and to conduct a preliminary assessment of safety of the drug candidate over a measured dose response range. In some cases, a sponsor may decide to conduct a Phase IIb clinical trial, which is a second, typically larger, confirmatory Phase II trial that could, if positive and accepted by the FDA, serve as a pilot or pivotal clinical trial in the approval of a drug candidate.

Phase III: These clinical trials are commonly referred to as pivotal clinical trials. If the Phase II clinical trials demonstrate that a dose range of the drug candidate is potentially effective and has an acceptable safety profile, Phase III clinical trials are then undertaken in large patient populations to further evaluate dosage, to provide substantial evidence of clinical efficacy and to further test for safety in an expanded and diverse patient population at multiple, geographically dispersed clinical trial sites.

In some cases, the FDA may condition approval of an NDA for a drug candidate on the sponsor s agreement to conduct additional clinical trials to further assess the drug s safety and effectiveness after NDA approval, known as Phase IV clinical trials.

The clinical trials we conduct for our drug candidates, both before and after approval, and the results of those trials, are generally required to be included in a clinical trials registry database that is available and accessible to the public via the internet. A failure by us to properly participate in the clinical trial database registry could subject us to significant civil monetary penalties.

Health care providers in the United States, including research institutions from which we or our partners obtain patient information, are subject to privacy rules under the Health Insurance Portability and Accountability Act of 1996 and state and local privacy laws. In the European Union, these entities are subject to the Directive 95/46-EC of the European Parliament on the protection of individuals with regard to the processing of personal data and individual European Union member states implementing additional legislation. Other countries have similar privacy legislation. We could face substantial penalties if we knowingly receive individually identifiable health

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information from a health care provider that has not satisfied the applicable privacy laws. In addition, certain privacy laws and genetic testing laws may apply directly to our operations and/or those of our partners and may impose restrictions on the use and dissemination of individuals health information and use of biological samples.

New Drug Application. The results of drug candidate development, preclinical testing and clinical trials are submitted to the FDA as part of an NDA. The NDA also must contain extensive manufacturing information. In addition, the FDA may require that a proposed Risk Evaluation and Mitigation Strategy, also known as a REMS, be submitted as part of the NDA if the FDA determines that it is necessary to ensure that the benefits of the drug outweigh its risks. The FDA may refer the NDA to an advisory committee for review, evaluation and recommendation as to whether the application should be approved. The FDA often, but not always, follows the advisory committee s recommendations. The FDA may deny approval of an NDA by issuance of a complete response letter if the applicable regulatory criteria are not satisfied, or it may require additional clinical data, including data in a pediatric population, or an additional pivotal Phase III clinical trial or impose other conditions that must be met in order to secure final approval for an NDA. Even if such data are submitted, the FDA may ultimately decide that the NDA does not satisfy the criteria for approval. Data from clinical trials are not always conclusive and the FDA may interpret data differently than we or our partners do. Once issued, the FDA may withdraw a drug approval if ongoing regulatory requirements are not met or if safety problems occur after the drug reaches the market. In addition, the FDA may require further testing, including Phase IV clinical trials, and surveillance or restrictive distribution programs to monitor the effect of approved drugs which have been commercialized. The FDA has the power to prevent or limit further marketing of a drug based on the results of these post-marketing programs. Drugs may be marketed only for the approved indications and in accordance with the provisions of the approved label. Further, if there are any modifications to a drug, including changes in indications, labeling or manufacturing processes or facilities, we may be required to submit and obtain prior FDA approval of a new NDA or NDA supplement, which may require us to develop additional data or conduct additional preclinical studies and clinical trials.

Satisfaction of FDA regulations and requirements or similar requirements of state, local and foreign regulatory agencies typically takes several years. The actual time required may vary substantially based upon the type, complexity and novelty of the drug candidate or disease. Typically, if a drug candidate is intended to treat a chronic disease, as is the case with some of our drug candidates, safety and efficacy data must be gathered over an extended period of time. Government regulation may delay or prevent marketing of drug candidates for a considerable period of time and impose costly procedures upon our activities. The FDA or any other regulatory agency may not grant approvals for new indications for our drug candidates on a timely basis, if at all. Even if a drug candidate receives regulatory approval, the approval may be significantly limited to specific disease states, patient populations and dosages or restrictive distribution programs. Further, even after regulatory approval is obtained, later discovery of previously unknown problems with a drug may result in restrictions on the drug or even complete withdrawal of the drug from the market. Delays in obtaining, or failures to obtain, regulatory approvals for any of our drug candidates would harm our business. In addition, we cannot predict what future U.S. or foreign governmental regulations may be implemented.

Orphan Drug Designation. Some jurisdictions, including the United States, may designate drugs for relatively small patient populations as orphan drugs. The FDA grants orphan drug designation to drugs intended to treat a rare disease or condition, which is generally a disease or condition that affects fewer than 200,000 individuals in the United States. For example, the FDA has granted CK-2017357 an orphan drug designation for the treatment of ALS.

An orphan drug designation does not shorten the duration of the regulatory review and approval process. If a drug based on a drug candidate which has an orphan drug designation receives the first FDA marketing approval for the indication for which the designation was granted, then the approved drug is entitled to orphan drug exclusivity. This means that the FDA may not approve another company s application to market the same drug for the same indication for a period of seven years, except in certain circumstances, such as a showing of clinical superiority to the drug with

orphan exclusivity or if the holder of the orphan drug designation cannot assure the availability of sufficient quantities of the orphan drug to meet the needs of patients with the disease or condition for which the designation was granted. Competitors may receive approval of different drugs or biologics for the indications for which the orphan drug has exclusivity.

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Other regulatory requirements. Any drugs manufactured or distributed by us or our partners pursuant to FDA approvals or their foreign counterparts are subject to continuing regulation by the applicable regulatory authority, including recordkeeping requirements and reporting of adverse experiences associated with the drug. Drug manufacturers and their subcontractors are required to register their establishments with the FDA and other applicable regulatory authorities, and are subject to periodic unannounced inspections by these regulatory authorities for compliance with ongoing regulatory requirements, including cGMPs, which impose certain procedural and documentation requirements upon us and our third-party manufacturers. Failure to comply with the statutory and regulatory requirements can subject a manufacturer to possible legal or regulatory action, such as warning letters, suspension of manufacturing, seizure of product, injunctive action or possible civil penalties. We cannot be certain that we or our present or future third-party manufacturers or suppliers will be able to comply with the cGMP regulations and other ongoing FDA and other regulatory requirements. If our present or future third-party manufacturers or suppliers are not able to comply with these requirements, the FDA or its foreign counterparts may halt our clinical trials, require us to recall a drug from distribution, or withdraw approval of the NDA for that drug.

For further details on the risks relating to government regulation of our business, please see the risk factors under Item 1A of this report, including, but not limited to, the risk factor entitled 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.

Competition

We compete in the segments of the pharmaceutical, biotechnology and other related markets that address cardiovascular diseases and other diseases relating to muscle dysfunction, each of which is highly competitive. We face significant competition from most pharmaceutical companies and biotechnology companies that are also researching and selling products designed to address cardiovascular diseases and diseases and medical conditions associated with skeletal muscle weakness and wasting. Many of our competitors have significantly greater financial, manufacturing, marketing and drug development resources than we do. Large pharmaceutical companies in particular have extensive experience in clinical testing and in obtaining regulatory approvals for drugs. These companies also have significantly greater research capabilities than we do. In addition, many universities and private and public research institutes are active in research of cardiovascular diseases and diseases where there is muscle dysfunction, some in direct competition with us.

We believe that our ability to successfully compete will depend on, among other things:

- our drug candidates efficacy, safety and reliability;
- the speed and cost-effectiveness at which we develop our drug candidates;
- the selection of suitable indications for which to develop our drug candidates;
- the successful completion of clinical development and laboratory testing of our drug candidates;
- the timing and scope of any regulatory approvals we or our partners obtain for our drug candidates;
- our or our partners ability to manufacture and sell commercial quantities of our approved drugs to meet market demand;
- acceptance of our drugs by physicians and other health care providers;

the willingness of third party payors to provide reimbursement for the use of our drugs;

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

the quality and breadth of our technology;

our employees skills and our ability to recruit and retain skilled employees;

our cash flows under existing and potential future arrangements with licensees, partners and other parties; and

the availability of substantial capital resources to fund development and commercialization activities.

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Our competitors may develop drug candidates and market drugs that are less expensive and more effective than our future drugs or that may render our drugs obsolete. Our current or future competitors may also commercialize competing drugs before we or our partners can launch any drugs developed from our drug candidates. These organizations also compete with us to attract qualified personnel and potential parties for acquisitions, joint ventures or other strategic alliances.

If omecamtiv mecarbil is approved for marketing by the FDA for heart failure, it 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 istaroxamine, which is being developed by Debiopharm Group; bucindolol, which is being developed by ARCA biopharma, Inc.; relaxin, which is being developed by Novartis; 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 CK-2017357, CK2066260 and other compounds that may arise from our skeletal muscle contractility program, 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. Acceleron Pharma, Inc. is conducting clinical development with ACE-031, a myostatin inhibitor, and 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, Isis Pharmaceuticals, Inc. and Sangamo BioSciences, Inc. If CK-2017357 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 developing potential new treatments for peripheral artery disease or associated symptoms of claudication. If CK-2017357 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 for myasthenia gravis, such as Benesis Corp. (GB-0998), Alexion Pharmaceuticals, Inc. (eculizumab) and Astellas (tacrolimus).

For further details on the risks relating to our competitors, please see the risk factors under Item 1A of this report, including, but not limited to, the risk factor entitled 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.

Employees

As of December 31, 2010, our workforce consisted of 105 full-time employees, 28 of whom hold Ph.D. or M.D. degrees, or both, and 21 of whom hold other advanced degrees. Of our total workforce, 76 are engaged in research and development and 29 are engaged in business development, finance and administration functions.

We have no collective bargaining agreements with our employees, and we have not experienced any work stoppages. We believe that our relations with our employees are good.

Available Information

We file electronically with the Securities and Exchange Commission (SEC) our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The public may read or copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at

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1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is www.sec.gov.

You may obtain a free copy of our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports on the day of filing with the SEC on our website at www.cytokinetics.com or by contacting the Investor Relations Department at our corporate offices by calling 650-624-3000. The information found on our website is not part of this or any other report filed with or furnished to the SEC.

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.

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 in the early stages of 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, GSK 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. 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 preclinical and clinical activities, and reimbursements, milestone and royalty payments that we may receive under our collaboration and option 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

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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 can not raise the funds we need to operate our business, we will need to discontinue certain research and development activities and our stock price likely would be negatively affected.

We depend on Amgen for the conduct, completion and funding of the clinical development and commercialization of omecamtiv mecarbil (formerly known as CK-1827452).

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. For example, Amgen has informed us that it now plans to initiate a Phase IIb clinical trial of an intravenous formulation of omecamtiv mecarbil in hospitalized patients with acutely decompensated heart failure prior to initiating further clinical trials of oral formulations 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.

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 the initial results of one or more clinical trials with omecamtiv mecarbil do not meet Amgen s expectations, 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. 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

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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 that have progressed into clinical development are: omecamtiv mecarbil, our drug candidate for the potential treatment of heart failure; CK-2017357, our drug candidate for the potential treatment of diseases associated with aging, muscle wasting and neuromuscular dysfunction; and ispinesib, SB-743921 and GSK-923295, our drug candidates for the potential treatment of cancer. 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 demonstrate to the FDA and foreign regulatory authorities that the drug candidate is sufficiently safe and effective with substantial evidence from well-controlled clinical trials. In clinical trials we or our partners will need to demonstrate efficacy 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

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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. For example, in previously conducted two-stage Phase II clinical trials designed to evaluate the safety and efficacy of ispinesib as monotherapy in the first- or second-line treatment of patients with different forms of cancer, ispinesib did not satisfy the criteria for advancement to Stage 2. 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 than we or our partners do, 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. 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.

We have observed certain adverse effects in the clinical trials conducted with our drug candidates. For example, in clinical trials of omecamtiv mecarbil, doses that exceeded the maximum tolerated dose 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 IIa clinical trials of CK-2017357, adverse events of dizziness, headache, fatigue, somnolence (sleepiness), euphoric mood, muscle spasms, gait disturbance, muscular weakness, nausea, and dysarthria (difficulty speaking) appeared to increase in frequency with increasing doses of CK-2017357. In clinical trials of ispinesib, the most commonly observed dose-limiting toxicity was neutropenia, a decrease in the number of a certain type of white blood cell that results in an increase in susceptibility to infection.

Further, the administration of two or more drugs contemporaneously can lead to interactions between them, and in clinical trials, our drug candidates may interact with other drugs that the trial subjects are taking. For example, many

ALS patients take riluzole, a commercially available treatment for ALS. In a Phase IIa clinical trial of CK-2017357 in ALS patients, we observed in the patients taking riluzole increases in the blood plasma concentration of riluzole associated with the administration of CK-2017357. Accordingly, we plan to conduct a Phase I drug-drug interaction clinical trial intended to evaluate the effects of CK-2017357 on the pharmacokinetics of riluzole and other drugs to better understand the significance of this finding. If this drug-drug interaction trial

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produces materially adverse findings, it may call into question the feasibility of developing CK-2017357 as a treatment for ALS.

In addition, clinical trials of omecamtiv mecarbil and CK-2017357 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;

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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;

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 CK-2017357, CK-2066260, ispinesib, SB-743921 and GSK-923295. We currently do not have a strategic partner for these drug candidates. We are relying on GSK to complete its Phase I clinical trial for GSK-923295. We expect to rely on one or more strategic partners or other arrangements with third parties to advance and develop each of CK-2017357, CK-2066260 and other compounds from our skeletal muscle contractility program; ispinesib, SB-743921 and GSK-923295; 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

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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.

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 CK-2017357. 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 or 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 or 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. We have relied on GSK to conduct these activities for the clinical development of GSK-923295. For CK-2017357, CK-2066260 and our other drug candidates and potential drug candidates, we rely (and for omecamtiv mecarbil, ispinesib and SB-743921, we have relied) 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

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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.

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

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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, CK-2017357, CK-2066260, ispinesib, SB-743921 and GSK-923295, 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 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;

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- 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 U.S. Congress is currently considering bills that could change U.S. law regarding, among other things, post-grant review of issued patents and the calculation of damages once patent infringement has been determined by a court of law. If enacted into law, these provisions could severely weaken patent protection 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 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.

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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.

Currently, we are aware of an issued U.S. patent and at least one pending U.S. patent application assigned to Curis, Inc., relating to certain compounds in the quinazolinone class. Ispinesib falls into this class of compounds. The Curis U.S. patent claims a method of inhibiting signaling by what is called the hedgehog pathway using certain quinazolinone compounds. Curis also has pending applications in Europe, Japan, Australia and Canada with claims covering certain quinazolinone compounds, compositions thereof and methods of their use. Two of the Australian applications have been allowed and two of the European applications have been granted. We have opposed the granting of certain of these patents to Curis in Europe and in Australia. Curis has withdrawn one of the Australian applications. One of the European patents that we opposed was recently revoked and is no longer valid in Europe. Curis has appealed this decision.

Curis or a third party may assert that the manufacture, use, importation or sale of ispinesib may infringe one or more of its patents. We believe that we have valid defenses against the issued U.S. patent owned by Curis if it were to be asserted against us. However, we cannot guarantee that a court would find these defenses valid or that any additional defenses would be successful. We have not attempted to obtain a license to these patents. If we decide to seek a license to these patents, we cannot guarantee that such a license would be available on acceptable terms, if at all.

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., Merck GmbH, Eli Lilly and Company, Bristol-Myers Squibb Company, Novartis 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.

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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 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, cancer 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; 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.

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With respect to CK-2017357, CK-2066260 and other compounds that may arise from our skeletal muscle contractility program, 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. Acceleron Pharma, Inc. is conducting clinical development with ACE-031, a myostatin inhibitor, and 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, Isis Pharmaceuticals, Inc. and Sangamo BioSciences, Inc. If CK-2017357 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 developing potential new treatments for peripheral artery disease or associated symptoms of claudication. If CK-2017357 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 for myasthenia gravis, such as Benesis Corp. (GB-0998), Alexion Pharmaceuticals, Inc. (eculizumab) and Astellas (tacrolimus).

If approved for marketing by the FDA, depending on the approved clinical indication, our anti-cancer drug candidates ispinesib, SB-743921 and GSK-923295 would compete against existing cancer treatments such as paclitaxel, docetaxel, vincristine, vinorelbine, navelbine, ixabepilone and potentially against other novel anti-cancer drug candidates that are currently in development. These include compounds that are reformulated taxanes, other tubulin binding compounds or epothilones. We are also aware that Merck & Co., Inc., Eli Lilly and Company, Bristol-Myers Squibb Company, AstraZeneca AB, Array Biopharma Inc., ArQule, Inc., Alnylam, Inc. and others are conducting research and development focused on KSP and other mitotic kinesins.

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;
- 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. These competitors may, and in certain cases do, operate larger research and development programs or have 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;

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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 currently 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.

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 light of our continued need for funding and cost control, we may be required to implement future workforce and expense reductions, which may negatively affect our productivity and limit our research and development activities. For example, as part of our strategic restructuring and workforce reduction in 2008, we discontinued our early research activities in oncology. 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 addition, the implementation of workforce or expense reduction programs may divert the efforts of our management team and other key employees, which could adversely affect our business.

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.

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We currently have no sales or marketing staff 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 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. Despite the time and efforts exerted, failure can occur at any stage, and we could 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.

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.

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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

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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.

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:

expand our research and development capabilities;

fund clinical trials and seek regulatory approvals;

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.

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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 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

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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 CK-2017357 and CK-2066260 for the potential treatment of diseases associated with aging, muscle wasting and 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;
- 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 shareholders, whether or not related to our performance;
- volatility in the stock prices of other companies in our industry or in the stock market generally.

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

Such a lawsuit could also divert our management s time and attention.

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

As of February 28, 2011, our executive officers, directors and their affiliates beneficially owned or controlled approximately 13.6% of the outstanding shares of our common stock (after giving effect to the exercise of all outstanding vested and unvested options 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

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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 are creating uncertainty for public companies. We are presently evaluating and monitoring developments with respect to new and proposed rules and cannot predict or estimate the amount of the additional costs we may incur 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 the commitment of 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 will require us to file corporate financial statement information in a new interactive data format known as XBRL beginning in 2011. We may incur significant costs and need to invest considerable resources to implement and to remain in compliance with these new requirements.

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.

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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.

Risks Related To Our Financing Vehicles and Investments

Our committed equity financing facility with Kingsbridge may not be available to us if we elect to make a draw down, may require us to make additional blackout or other payments to Kingsbridge, and may result in dilution to our stockholders.

In October 2007, we entered into a committed equity financing facility with Kingsbridge, which we amended in October 2010. This committed equity financing facility entitles us to sell and obligates Kingsbridge to purchase, from time to time through March 31, 2011, shares of our common stock for cash consideration up to an aggregate of $75.0 million, subject to certain conditions and restrictions. To date, we have received $20.9 million in gross proceeds under this committed equity financing facility. Under this committed equity financing facility, we have sold 8,936,547 shares and may sell up to a maximum total of 9,779,411 shares. This is the maximum number of shares we may sell to Kingsbridge without our stockholders approval under the rules of the NASDAQ Stock Market LLC. This limitation may further limit the amount of proceeds we are able to obtain from this committed equity financing facility.

Kingsbridge will not be obligated to purchase shares under this committed equity financing facility unless certain conditions are met, which include a minimum volume-weighted average price of $2.00 for our common stock. As of the close of market on March 9, 2011, the price for our common stock was $1.50. In addition Kingsbridge s obligations to purchase shares under this facility are contingent upon the accuracy of our representations and warranties made to Kingsbridge; our compliance with laws; the effectiveness of the registration statement registering for resale the shares of common stock to be issued in connection with this committed equity financing facility; and the continued listing of our stock on NASDAQ. In addition, Kingsbridge may terminate this committed equity financing facility if it determines that a material adverse event has occurred affecting our business, operations, properties or financial condition and if such condition continues for a period of 10 days from the date Kingsbridge provides us notice of such material adverse event. If we are unable to access funds through this committed equity financing facility, we may be unable to access additional capital on reasonable terms or at all.

We are entitled, in certain circumstances, to deliver a blackout notice to Kingsbridge to suspend the use of the resale registration statement and prohibit Kingsbridge from selling shares under the resale registration statement. If we deliver a blackout notice in the 15 trading days following the settlement of a stock sale, or if the registration statement is not effective in circumstances not permitted by the agreement, then we must make a payment to Kingsbridge, or issue Kingsbridge additional shares in lieu of this payment. This payment or issuance of shares is calculated based on the number of shares actually held by Kingsbridge pursuant to the most recent sale of stock under the committed equity financing facility and the change in the market price of our common stock during the period in which the use of the registration statement is suspended. If the trading price of our common stock declines during a suspension of the registration statement, the blackout payment or issuance of shares could be significant.

When we choose to sell shares to Kingsbridge under this committed equity financing facility, or issue shares in lieu of a blackout payment, it will have a dilutive effect on our current stockholders holdings, and may result in downward pressure on the price of our common stock. The share price for sales of stock to Kingsbridge under this committed equity financing facility is discounted by up to 10% from the volume-weighted average price of our common stock. If

we sell stock under this committed equity financing facility when our share price is decreasing, we will need to issue more shares to raise the same amount of cash than if our stock price was higher. Issuances of stock in the face of a declining share price will have an even greater dilutive effect than if our share price were stable or increasing, and may further decrease our share price.

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

None.

Item 2. ***Properties***

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

Item 3. ***Legal Proceedings***

We are not a party to any material legal proceedings.

Item 4. ***Reserved***

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PART II

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

Our common stock is quoted on the NASDAQ Global Market under the symbol CYTK, and has been quoted on this market since our initial public offering on April 29, 2004. Prior to such date, there was no public market for our common stock. The following table sets forth the high and low closing sales price per share of our common stock as reported on the NASDAQ Global Market for the periods indicated.

	Closing Sale Price	
	High	**Low**
Fiscal 2009:		
First Quarter	$ 2.87	$ 1.45
Second Quarter	$ 3.08	$ 1.64
Third Quarter	$ 5.30	$ 2.71
Fourth Quarter	$ 5.24	$ 2.59
Fiscal 2010:		
First Quarter	$ 3.54	$ 2.91
Second Quarter	$ 3.56	$ 2.37
Third Quarter	$ 2.80	$ 2.08
Fourth Quarter	$ 2.93	$ 2.05

On February 28, 2011, the last reported sale price for our common stock on the NASDAQ Global Market was $1.57 per share. We currently expect to retain future earnings, if any, for use in the operation and expansion of our business and have not paid and do not in the foreseeable future anticipate paying any cash dividends. As of February 28, 2011, there were 111 holders of record of our common stock.

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Equity Compensation Information

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

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

(*) The above graph shows the cumulative total stockholder return of an investment of $100 in cash from December 31, 2005 through December 31, 2010 for: (i) our common stock; (ii) the NASDAQ Stock Market (U.S.) Index; and (iii) the NASDAQ Biotechnology Index. All values assume reinvestment of the full amount of all dividends. Stockholder returns over the indicated period should not be considered indicative of future stockholder returns.

	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10
Cytokinetics, Incorporated	$ 100.00	$ 114.37	$ 72.32	$ 43.58	$ 44.50	$ 31.96
NASDAQ Stock Market (U.S.) Index	$ 100.00	$ 110.28	$ 121.92	$ 73.12	$ 106.25	$ 125.40
NASDAQ Biotechnology Index	$ 100.00	$ 101.02	$ 105.65	$ 92.31	$ 106.74	$ 122.76

The information contained under this caption Comparison of Historical Cumulative Total Return Among Cytokinetics, Incorporated, the NASDAQ Stock Market (U.S.) Index and the NASDAQ Biotechnology Index shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission (SEC), nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate it by reference into such filing.

Sales of Unregistered Securities

None.

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

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

	Year Ended December 31,				
	2010	2009	2008	2007	2006
	(In thousands, except per share amounts)				
Statement of Operations Data:					
Revenues:					
Research and development revenues from related parties(2)	$ 1,487	$ 7,171	$ 186	$ 1,388	$ 1,622
Research and development, grant and other revenues	1,090				4
License revenues from related parties(2)		74,367	12,234	12,234	1,501
Total revenues	2,577	81,538	12,420	13,622	3,127
Operating expenses:					
Research and development	38,013	39,840	53,950	53,388	49,225
General and administrative	14,199	15,626	15,076	16,721	15,240
Restructuring charges (reversals)		(23)	2,473		
Total operating expenses	52,212	55,443	71,499	70,109	64,465
Operating income (loss)	(49,635)	26,095	(59,079)	(56,487)	(61,338)
Interest and other, net(3)	172	(1,401)	2,705	7,593	4,223
Income (loss) before income taxes	(49,463)	24,694	(56,374)	(48,894)	(57,115)
Income tax provision (benefit)	(176)	150			
Net income (loss)	$ (49,287)	$ 24,544	$ (56,374)	$ (48,894)	$ (57,115)
Net income (loss) per common share:					
Basic	$ (0.77)	$ 0.43	$ (1.14)	$ (1.03)	$ (1.56)
Diluted	$ (0.77)	$ 0.42	$ (1.14)	$ (1.03)	$ (1.56)
Weighted average shares used in computing net income (loss) per common share:(1)					
Basic	64,165	57,390	49,392	47,590	36,618
Diluted	64,165	57,961	49,392	47,590	36,618

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	As of December 31,				
	2010	2009	2008	2007	2006
	(In thousands)				
Balance Sheet Data:					
Cash and cash equivalents, investments, ARS and investment put option related to ARS	$ 72,845	$ 114,727	$ 76,892	$ 139,764	$ 109,542
Restricted cash	788	1,674	2,750	5,167	6,034
Working capital	66,174	96,735	36,033	95,568	127,228
Total assets	77,992	122,599	87,454	155,370	169,516
Long-term portion of equipment financing lines	152	985	2,615	4,639	7,144
Deficit accumulated during the development stage	(360,650)	(311,363)	(335,907)	(279,533)	(230,639)
Total stockholders equity(1)	70,516	101,428	49,766	99,916	106,313

(1) In 2006, we sold 10,285,715 shares in two registered direct offerings for net proceeds of approximately $66.9 million, and sold 2,740,735 shares of common stock to Kingsbridge Capital Limited (Kingsbridge) pursuant to the 2005 committed equity financing facility for net proceeds of $17.0 million. In 2007, we sold 2,075,177 shares of common stock to Kingsbridge pursuant to the 2005 committed equity financing facility for net proceeds of $9.5 million. In January 2007, we issued 3,484,806 shares of common stock to Amgen for net proceeds of $32.9 million in connection with a common stock purchase agreement with Amgen. In 2009, we sold 3,596,728 shares of common stock to Kingsbridge pursuant to the 2007 committed equity financing facility for net proceeds of $6.9 million. In May 2009, we sold 7,106,600 shares of common stock in a registered direct offering for net proceeds of approximately $12.9 million. In 2010, we sold 5,339,819 shares of common stock to Kingsbridge pursuant to the 2007 committed equity financing facility for net proceeds of $14.0 million. See Note 13 in the Notes to Financial Statements for further details.

(2) Revenues from related parties consisted of revenues recognized under our research and development arrangements with related parties, including Amgen and GSK. See Note 6 in the Notes to Financial Statements for further details.

(3) Interest and Other, net consisted of interest income/expense and other income/expense. For the years ended December 31, 2010, 2009 and 2008, it also included unrealized gains (losses) on our auction rate securities (ARS) and investment put option related to the Series C-2 ARS Rights issued to us by UBS AG. For the years ended December 31, 2009, it also included warrant expense. See Note 15 in the Notes to Financial Statements for further details.

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

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

Overview

We are a clinical-stage biopharmaceutical company focused on the discovery and development of novel small molecule therapeutics that modulate muscle function for the potential treatment of serious diseases and medical conditions. Our research and development activities relating to the biology of muscle function have evolved from our knowledge and expertise regarding the cytoskeleton, a complex biological infrastructure that plays a fundamental role within every human cell. Our 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. We have, and intend to continue, to leverage our experience in muscle contractility in order to expand our

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current pipeline into new therapeutic areas, and expect to continue to be able to identify additional potential drug candidates that may be suitable for clinical development.

Our cardiac muscle contractility program is focused on cardiac muscle myosin, a motor protein that powers cardiac muscle contraction. Our lead drug candidate from this program, omecamtiv mecarbil (formerly known as CK-1827452), is a novel cardiac muscle myosin activator. We have conducted a clinical development program for omecamtiv mecarbil for the potential treatment of heart failure, comprised of a series of Phase I and Phase IIa clinical trials. In May 2009, Amgen acquired an exclusive license to develop and commercialize omecamtiv mecarbil worldwide, except Japan, subject to our development and commercialization participation rights.

CK-2017357 is the lead drug candidate from our skeletal sarcomere activator program. The skeletal muscle sarcomere is the basic unit of skeletal muscle contraction. CK-2017357 is currently the subject of a Phase IIa clinical trials program. We believe CK-2017357 may be useful in treating diseases or medical conditions associated with skeletal muscle weakness or wasting. In March 2010, CK-2017357 received an orphan drug designation from the U.S. Food and Drug Administration (FDA) for the treatment of amyotrophic lateral sclerosis (also known as ALS or Lou Gehrig s disease). We are also advancing a second, structurally distinct, fast skeletal muscle sarcomere activator, CK-2066260, in non-clinical studies intended to enable the filing of an investigational new drug application (IND) with the FDA in 2011. Both of these compounds selectively activate the fast skeletal muscle troponin complex, which is a set of regulatory proteins that modulates the contractility of the fast skeletal muscle sarcomere.

In our smooth muscle contractility program, we are conducting non-clinical development of compounds that directly inhibit smooth muscle myosin, the motor protein central to the contraction of smooth muscle, causing the relaxation of contracted smooth muscle. Compounds from this program may be useful as potential treatments for diseases and conditions associated with excessive smooth muscle contraction, such as bronchoconstriction associated with asthma and chronic obstructive pulmonary disease.

Earlier research activities at the company were directed to the inhibition of mitotic kinesins, a family of cytoskeletal motor proteins involved in the process of cell division, or mitosis. This research produced three drug candidates that have progressed into clinical testing for the potential treatment of cancer: ispinesib, SB-743921 and GSK-923295. Effective February 2010, our strategic alliance with GlaxoSmithKline (GSK) relating to our mitotic kinesin inhibitors terminated by mutual agreement. We are currently evaluating strategic alternatives for these drug candidates with third parties.

Two of our drug candidates directed to muscle contractility have now demonstrated pharmacodynamic activity in patients: omecamtiv mecarbil in patients with heart failure and CK-2017357 in patients with ALS. Our potential drug candidate CK-2066260 has demonstrated pharmacological activity in non-clinical studies. In 2011, we expect to focus on translating the pharmacodynamic activity observed in these compounds into potentially meaningful clinical benefits for these patients.

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

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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 in heart failure both as an intravenous formulation for use in the hospital setting and as an oral formulation for use in the outpatient setting.

In September 2010, Cytokinetics and Amgen announced plans to initiate a Phase IIb clinical trial of an intravenous formulation of omecamtiv mecarbil in hospitalized patients with acutely decompensated heart failure prior to initiating further clinical trials of oral formulations of omecamtiv mecarbil. We anticipate that, in the first half of 2011, Amgen will initiate this trial, which will be conducted by Amgen in collaboration with Cytokinetics.

We and Amgen are discussing the development strategy for oral formulations of omecamtiv mecarbil. We anticipate that these plans may include studies designed to investigate the safety, tolerability and pharmacokinetics of multiple oral formulations of omecamtiv mecarbil. We have agreed with Amgen upon a research plan focused on joint research activities in 2011 that will be directed to potential next-generation compounds in our cardiac muscle contractility program.

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 $1.6 million, $9.9 million and $20.9 million in the years ended December 31, 2010, 2009 and 2008, respectively. We recognized research and development revenue from Amgen of $1.5 million in 2010, consisting of reimbursements of full-time employee equivalent (FTE) and other expenses. We recognized research and development revenue from Amgen of $7.1 million in the 2009, consisting of $4.0 million for the transfer of our existing inventories of omecamtiv mecarbil and related reference materials to Amgen and $3.1 million for reimbursements of FTEs and other costs.

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

CK-2017357 is the lead potential drug candidate from this program. We are also advancing another compound from this program, CK-2066260, in non-clinical studies intended to enable the filing of an IND in 2011. CK-2017357 and CK-2066260 are structurally distinct and selective small molecule activators of the fast skeletal sarcomere. These compounds act on fast skeletal muscle troponin. Activation of troponin increases its sensitivity to calcium, leading to an increase in skeletal muscle contractility.

Each of CK-2017357 and CK-2066260 has demonstrated encouraging pharmacological activity in preclinical models and, with respect to CK-2017357, in healthy volunteers and ALS patients. In a recent Phase IIa clinical trial of

CK-2017357 in ALS patients, evidence of potentially clinically relevant pharmacodynamic effects was observed. We are evaluating the potential indications for which CK-2017357 and CK-2066260 may be useful. In March 2010, CK-2017357 received an orphan drug designation from the FDA for the treatment of ALS. In July 2010, we were awarded a grant in the amount of $2.8 million by the National Institute of Neurological Disorders and Stroke, which is intended to support research and development of CK-2017357 for the potential treatment of myasthenia gravis for three years. The grant was awarded under the American Recovery and Reinvestment Act of 2009. We recognized

revenue of $0.4 million under this grant arrangement in 2010, which we recorded as research and development, grant and other revenues.

Early in 2010, we announced data from two Phase I clinical trials evaluating CK-2017357 in healthy volunteers. The first trial established a maximum tolerated single dose of CK-2017357 of 2000 mg. Also in this trial, CK-2017357 produced concentration-dependent, statistically significant increases versus placebo in the force developed by the tibialis anterior muscle. CK-2017357 was well-tolerated and no serious adverse events were reported. The second Phase I trial was a study of multiple doses of CK-2017357. At steady state, both the maximum plasma concentration and the area under the CK-2017357 plasma concentration versus time curve from before dosing until 24 hours after dosing were generally dose-proportional. In general, systemic exposure to CK-2017357 in this trial was high and inter-subject variability was low. In addition, these multiple-dose regimens of CK-2017357 were well-tolerated, and no serious adverse events were reported.

We have initiated three evidence of effect Phase IIa clinical trials of CK-2017357: one trial in patients with ALS, which was completed in December 2010, one ongoing trial in patients with symptoms of claudication associated with peripheral artery disease (PAD), and one ongoing trial in patients with generalized myasthenia gravis. Our evidence of effect clinical trials are randomized, double-blind, placebo-controlled, three-period cross-over studies of single doses of CK-2017357 intended to translate the mechanism of action of CK-2017357, as demonstrated pharmacodynamically in healthy volunteers, to patients with impaired muscle function and potentially to establish statistically significant and clinically relevant evidence of pharmacodynamic effects. These trials may then form the basis for larger clinical trials designed to demonstrate proof of concept.

In April 2010, we initiated and in December 2010, we completed a Phase IIa evidence of effect clinical trial of CK-2017357 in ALS patients. 67 patients were enrolled in this trial. Results from this trial were presented in December 2010 at the Clinical Trials Session at the 21st International Symposium on ALS/Motor Neurone Diseases. Increases in multiple clinically relevant pharmacodynamic assessments were observed, and the two doses of CK-2017357 administered (250 mg and 500 mg) exhibited dose-proportional pharmacokinetics. The investigators also concluded that these single doses of CK-2017357 appeared to be safe and generally well-tolerated by the patients in this trial. There were no serious adverse events judged to have been drug-related, and most adverse events were classified by the investigators as mild. Most reports of dizziness, the most frequent and most clearly dose-related adverse event in the trial, were classified as mild and none were determined to be severe. We plan to present additional analyses of the data from this trial during a Plenary Session at the 63rd Annual Meeting of the American Academy of Neurology in April 2011 in Honolulu, Hawaii.

In June 2010, we initiated a Phase IIa evidence of effect clinical trial of CK-2017357 in patients with symptoms of claudication associated with PAD. At least 36 and up to 72 patients may be enrolled in this trial. The dose levels originally administered in this trial were 375 mg and 750 mg. In October 2010, we conducted an interim review of data from this trial that suggested potential pharmacodynamic activity of CK-2017357 to increase skeletal muscle performance in these patients. In addition, this review suggested that single oral doses of CK-2017357 were generally well-tolerated by most patients in this trial. However, serious adverse events were reported by two patients: dizziness and mental confusion in one and dizziness and dyskinesia (or abnormal movements) in the other. Both patients required inpatient observation until their symptoms resolved. These events were not life-threatening and appeared to resolve spontaneously and completely without any additional treatment. Following these observations, the protocol was amended to lower the 750 mg dose to 500 mg. We are continuing to conduct this trial and anticipate that data will be available from this trial in the first half of 2011.

In January 2011, we initiated our third Phase IIa evidence of effect clinical trial of CK-2017357 in patients with generalized myasthenia gravis. At least 36 and up to 78 patients may be enrolled in this trial. Patients receive a single oral doses of placebo or 250 mg or 500 mg of CK-2017357. The primary objective of this trial is to assess the effects

of CK-2017357 on measures of muscle strength, muscle fatigue and pulmonary function. The secondary objectives of this clinical trial are to evaluate and characterize the relationship, if any, between the doses and plasma concentrations of CK-2017357 and its pharmacodynamic effects; to evaluate the safety and tolerability of CK-2017357 administered as single doses to patients with myasthenia gravis; and to evaluate the effect of CK-2017357 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

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myasthenia gravis. We are continuing to conduct this trial, and anticipate that data will be available from this trial by the end of 2011.

In the first half of 2011, we anticipate initiating a Phase I drug-drug interaction clinical trial of CK-2017357 administered orally to healthy volunteers. This trial is intended to evaluate the effects of CK-2017357 on the pharmacokinetics of riluzole and other drugs as well as the pharmacokinetics of CK-2017357 when administered after a meal and when fasting.

In the first half of 2011, we anticipate initiating a Phase II multi-dose, safety, tolerability, pharmacokinetic and pharmacodynamic clinical trial of CK-2017357 in ALS patients. This trial is expected to evaluate patients receiving daily oral doses of CK-2017357 for up to 14 days. The primary objective of this trial will be to evaluate the safety and tolerability of multiple doses of CK-2017357 in patients with ALS. In addition, patients will be asked to report their ALS symptoms using the ALS Functional Rating Scale-Revised (ALSFRS-R). Patients will also undergo tests of muscle fatigability, certain indices of pulmonary function, and patients and investigators global status assessments. This Phase II trial may be initiated after we have completed the initial part of the Phase I drug-drug interaction trial, which will focus on drug-drug interaction between riluzole and CK-2017357.

We anticipate that, in the first half of 2011, we will file an IND with the FDA to perform a Phase I, first-time-in humans clinical trial CK-2066260. We also anticipate initiating a first-in-humans Phase I clinical trial of CK-2066260 in healthy volunteers in the second half of 2011.

CK-2017357 and CK-2066260 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 its commercialization. We currently fund all research and development costs associated with this program. We recorded research and development expenses for activities relating to our skeletal muscle contractility program of approximately $29.1 million, $17.5 million and $10.5 million in the years ended December 31, 2010, 2009 and 2008, 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 CK-2017357, CK-2066260 or other compounds from this program into and through development.

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 intend to continue to conduct non-clinical development of compounds from this program.

In May 2010, a poster summarizing non-clinical data regarding our smooth muscle contractility program was presented at the American Thoracic Society s 2010 International Conference.

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 $1.9 million, $5.0 million and $7.3 million in the years ended December 31, 2010, 2009 and 2008, 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.

Mitotic Kinesin Inhibitors

We currently have three drug candidates for the potential treatment of cancer: ispinesib, SB-743921 and GSK-923295. All of these arose from our earlier research activities directed to the role of the cytoskeleton in cell division

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and were progressed under our strategic alliance with GSK. This strategic alliance was established in 2001 to discover, develop and commercialize novel small molecule therapeutics targeting mitotic kinesins for applications in the treatment of cancer and other diseases. Mitotic kinesins are a family of cytoskeletal motor proteins involved in the process of cell division, or mitosis. Under this strategic alliance, we focused primarily on two mitotic kinesins: kinesin spindle protein (KSP) and centromere-associated protein E (CENP-E). Inhibition of KSP or CENP-E interrupts cancer cell division, causing cell death. Ispinesib and SB-743921 are structurally distinct small molecules that specifically inhibit KSP. GSK-923295 specifically inhibits CENP-E.

In November 2006, we amended our strategic alliance with GSK and assumed responsibility, at our expense, for the continued research, development and commercialization of inhibitors of KSP, including ispinesib and SB-743921, and other mitotic kinesins, other than CENP-E. GSK retained an option to resume responsibility for the development and commercialization of either or both of ispinesib and SB-743921. This option expired at the end of 2008. We agreed with GSK to terminate our strategic alliance effective February 28, 2010. We have retained all rights to ispinesib, SB-743921 and GSK-923295, subject to certain royalty obligations to GSK. GSK remains responsible for completing its Phase I clinical trial of GSK-923295 in cancer patients, at its expense. Following GSK s completion of its Phase I clinical trial of GSK-923295, we will be responsible for any further research and development costs associated with GSK-923295.

Each of ispinesib, SB-743921 and GSK-923295 is 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 its commercialization. We currently are responsible for all research and development costs associated with ispinesib and SB-743921. We recorded research and development expenses for activities relating to our mitotic kinesins oncology program of approximately $1.0 million, $3.6 million and $7.0 million in the years ended December 31, 2010, 2009 and 2008, respectively. We received and recognized as revenue, reimbursements from GSK for patent expenses related to our mitotic kinesins oncology program of zero, $45,000 and $0.2 million for the years ended December 31, 2010, 2009 and 2008, respectively. We have completed the Phase I portion of each of the Phase I/II clinical trials for ispinesib and SB-743921. GSK is completing the current Phase I clinical trial of GSK-923295. We do not currently intend to conduct any further development of these drug candidates ourselves. We are evaluating strategic alternatives for the future development and commercialization of ispinesib, SB-743921 and GSK-923295 with third parties. We may not be able to enter into an agreement regarding such a strategic alternative on acceptable terms, if it all.

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;
- 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;
- 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;

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;

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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 on schedule, or at all, and certain consequences of failing to do so are discussed further in the risk factors entitled We have never generated, and may never generate, revenues from commercial sales of our drugs and we may not have drugs to market for at least several years, if ever, Clinical trials may fail to demonstrate the desired safety and efficacy of our drug candidates, which could prevent or significantly delay completion of clinical development and regulatory approval and Clinical trials are expensive, time-consuming and subject to delay, and other risk factors.

Revenues

Our current revenue sources are limited, and we do not expect to generate any revenue from product sales for several years, if at all. We have recognized revenues from our strategic alliances with Amgen and GSK for license fees and agreed research activities.

In December 2006, we entered into our collaboration and option agreement with Amgen, under which we received an upfront, non-refundable, non-exclusive license and technology access fee of $42.0 million. In connection with entering into the agreement, we also entered into a common stock purchase agreement with Amgen. In January 2007, we issued 3,484,806 shares of our common stock to Amgen for net proceeds of $32.9 million, of which the $6.9 million purchase premium was recorded as deferred revenue. Through May 2009, we amortized the upfront non-exclusive license and technology access fee and stock purchase premium to license revenue ratably over the maximum term of the non-exclusive license, which was four years. In June 2009, we recognized as revenue the remaining balance of $21.4 million of the related deferred revenue when Amgen exercised its option, triggering the end of the non-exclusive license period. In June 2009, we received a non-refundable option exercise fee from Amgen of $50.0 million, which we recognized in revenue as license fees from a related party. We may receive additional payments from Amgen upon achieving certain pre-commercialization and commercialization milestones. Milestone payments are non-refundable and are recognized as revenue when earned, as evidenced by the achievement of the specified milestones and the absence of ongoing performance obligations.

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

Revenues from GSK in 2006 were based on negotiated rates intended to approximate the costs for our FTEs performing research under the strategic alliance and our out-of-pocket expenses, which we recorded as the related expenses were incurred. GSK paid us an upfront licensing fee, which we recognized ratably over the strategic alliance s initial five-year research term, which ended in June 2006. In 2007, we received a $1.0 million milestone payment from GSK relating to its initiation of a Phase I clinical trial of GSK-923295. Milestone payments are non-refundable and are recognized as revenue when earned, as evidenced by achievement of the specified milestones and the absence of ongoing performance obligations. We record amounts received in advance of performance as

deferred revenue. The revenues recognized to date are non-refundable, even if the relevant research effort is not successful. In December 2008, GSK s option to license ispinesib and SB-743291 expired and all rights to these drug candidates remain with us under the collaboration and license agreement, subject to our royalty obligations to GSK. We agreed with GSK to terminate this strategic alliance, effective February 28, 2010. We have retained all rights to develop and commercialize ispinesib, SB-743921 and GSK-923295, subject to certain royalty obligations to GSK.

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

If one or more of our drug candidates is approved for sale as a drug, we expect that our future revenues will most likely be derived from royalties on sales from drugs licensed to Amgen under our strategic alliance and from those licensed to future partners, and from direct sales of our drugs. We retain a product-by-product option to co-fund certain Phase III development activities under our strategic alliance with Amgen, thereby potentially increasing our royalties and affording us co-promotion rights in North America. If we exercise our co-promotion rights under this strategic alliance, we are entitled to receive reimbursement for certain sales force costs we incur in support of our commercial activities.

Research and Development

We incur research and development expenses associated with both partnered and unpartnered research activities. We expect to incur research and development expenses for omecamtiv mecarbil for the potential treatment of heart failure in accordance with agreed upon research and development plans with Amgen. We expect to incur research and development expenses for the continued conduct of preclinical studies and non-clinical and clinical development for CK-2017357, CK-2066260 and other skeletal sarcomere activators for the potential treatment of diseases and medical conditions associated with muscle weakness or wasting, preclinical studies and non-clinical development of our smooth muscle myosin inhibitor compounds for the potential treatment of diseases and medical conditions associated with bronchoconstriction, vascular constriction, or both, and our research programs in other disease areas.

Research and development expenses related to our strategic alliance with GSK consisted primarily of costs related to research and screening, lead optimization and other activities relating to the identification of compounds for development as mitotic kinesin inhibitors for the treatment of cancer. Prior to June 2006, certain of these costs were reimbursed by GSK on an FTE basis. From 2001 through November 2006, GSK funded the majority of the costs related to the clinical development of ispinesib and SB-743921. In November 2006, under our amended collaboration and license agreement with GSK, we assumed responsibility for the continued research, development and commercialization of inhibitors of KSP, including ispinesib and SB-743921, and other mitotic kinesins other than CENP-E, at our sole expense.

Research and development expenses related to any development and commercialization activities we elect to fund consist primarily of employee compensation, supplies and materials, costs for consultants and contract research and manufacturing, facilities costs and depreciation of equipment. From our inception through December 31, 2010, we incurred costs of approximately $136.4 million for research and development activities relating to our cardiac muscle contractility program, $65.0 million for our skeletal muscle contractility program, $28.3 million for our smooth muscle contractility program, $71.9 million for our mitotic kinesin inhibitors program, $53.7 million for our proprietary technologies and $60.0 million for other research programs.

General and Administrative Expenses

General and administrative expenses consist primarily of compensation for employees in executive and administrative functions, including, but not limited to, finance, human resources, legal, business and commercial development and strategic planning. Other significant costs include facilities costs and professional fees for accounting and legal services, including legal services associated with obtaining and maintaining patents and regulatory compliance. We expect that general and administrative expenses will increase in 2011.

Restructuring

In September 2008, we announced a restructuring plan to realign our workforce and operations in line with a strategic reassessment of our research and development activities and corporate objectives

We completed all restructuring activities and recognized all anticipated restructuring charges by December 31, 2009.

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Stock Compensation

The following table summarizes stock-based compensation related to stock options, restricted stock awards and employee stock purchases for 2010, 2009 and 2008 (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Research and development	$ 1,871	$ 2,345	$ 2,794
General and administrative	2,146	2,561	2,812
Stock-based compensation included in operating expenses	$ 4,017	$ 4,906	$ 5,606

As of December 31, 2010, there was $4.8 million of total unrecognized compensation cost related to non-vested stock options granted under our stock plans. We expect to recognize that cost over a weighted-average period of 2.5 years. In addition, through 2008, we continued to amortize deferred stock-based compensation recorded for stock options granted prior to our initial public offering. The remaining balance became fully amortized in 2008.

Income Taxes

We account for income taxes under the liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce the deferred tax assets to the amounts expected to be realized. We did not record an income tax provision in the year ended December 31, 2008 because we had a net taxable loss in that period. We recorded an income tax provision of $150,000 in 2009 due to alternative minimum tax (AMT). However, due to the Department of the Treasury s further guidance clarifying that utilization of the AMT net operating loss (NOL) was not limited to 90% as part of the 5-year NOL carryback provision brought about by the Worker, Homeownership, and Business Assistance Act of 2009, the 2009 AMT liability was reversed in 2010. In addition to the $150,000 benefit related to the AMT liability, we also recognized a $26,000 benefit related to the monetization of the federal research tax credit for a total benefit of approximately $176,000 in 2010.

Based upon the weight of available evidence, which includes our historical operating performance, reported cumulative net losses since inception and difficulty in accurately forecasting our future results, we maintained a full valuation allowance on the net deferred tax assets as of December 31, 2010, 2009 and 2008. The valuation allowance was determined pursuant to the accounting guidance for income taxes, which requires an assessment of both positive and negative evidence when determining whether it is more likely than not that deferred tax assets are recoverable. We intend to maintain a full valuation allowance on the U.S. deferred tax assets until sufficient positive evidence exists to support reversal of the valuation allowance. The valuation allowance increased by $15.6 million in 2010, decreased by $9.56 million in 2009, and increased by $23.9 million in 2008.

We also follow the accounting guidance that defines the threshold for recognizing the benefits of tax return positions in the financial statements as more-likely-than-not to be sustained by the taxing authorities based solely on the technical merits of the position. If the recognition threshold is met, the tax benefit is measured and recognized as the largest amount of tax benefit that, in our judgment, is greater than 50% likely to be realized. We are currently not undergoing any income tax examinations. In general, the statute of limitations for tax liabilities for these years remains open for the purpose of adjusting the amounts of the losses and credits carried forward from those years.

We had federal net operating loss carryforwards of approximately $329.7 million and state net operating loss carryforwards of approximately $174.8 million before federal benefit at December 31, 2010. If not utilized, the federal and state operating loss carryforwards will begin to expire in various amounts beginning 2020 and 2011, respectively. The net operating loss carryforwards include deductions for stock options. When utilized, the portion related to stock option deductions will be accounted for as a credit to stockholders equity rather than as a reduction of the income tax provision.

We had research credit carryforwards of approximately $9.7 million and $9.5 million for federal and California state income tax purposes, respectively, at December 31, 2010. If not utilized, the federal carryforwards will expire in various amounts beginning in 2021. The California state credit can be carried forward indefinitely.

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In general, under Section 382 of the Internal Revenue Code, a corporation that undergoes an ownership change is subject to limitations on its ability to utilize its pre-change net operating losses and tax credits to offset future taxable income. Our existing net operating losses and tax credits are subject to limitations arising from previous ownership changes. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Internal Revenue Code and result in additional limitations. During the year ended December 31, 2007, we conducted a study and determined that we would not be able to utilize a portion of our federal research credit as a result of such a restriction. Accordingly, we reduced our deferred tax assets and the corresponding valuation allowance by $0.8 million. As a result, the research credit amount as of December 31, 2007 reflects the restriction on our ability to use the credit.

Accounting guidance for income taxes provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. It also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The unrecognized tax benefits on our research credits are based on our evaluation of the underlying research expenditures. We have reduced the respective deferred tax assets and valuation allowance to reflect the unrecognized tax benefits. These adjustments did not have any impact on the income tax expense.

Interest accrued related to unrecognized tax benefits and penalties were zero for 2010 and 2009. We account for interest related to unrecognized tax benefits and penalties by classifying both as income tax expense in the financial statements in accordance with the accounting guidance for uncertainty in income taxes. We do not expect our unrecognized tax benefits to change materially over the next twelve months.

Results of Operations

Years ended December 31, 2010, 2009 and 2008

Revenues

	Years Ended December 31,			Increase (Decrease)	
	2010	2009	2008	2009	2008
			(In millions)		
Research and development revenues from related parties	$ 1.5	$ 7.1	$ 0.2	$ (5.6)	$ 6.9
Research and development, grant and other revenues	1.1			1.1	
License revenues from related parties		74.4	12.2	(74.4)	62.2
Total revenues	$ 2.6	$ 81.5	$ 12.4	$ (78.9)	$ 69.1

We recorded total revenues of $2.6 million, $81.5 million and $12.4 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Research and development revenues from related parties refers to research and development revenues from our strategic alliances with Amgen and, through 2009, GSK. Research and development revenues from Amgen were $1.5 million in 2010, $7.1 million in 2009 and zero in 2008. Research and development revenues of $1.5 million from

Amgen in 2010 represented reimbursements of FTE and out of pocket expenses. Research and development revenues of $7.1 million from Amgen in 2009 consisted of $4.0 million for the transfer of the majority of our existing inventories of omecamtiv mecarbil and related reference materials, and $3.1 million for FTE and out of pocket expense reimbursements.

Research and development revenues from GSK were zero, $45,000 and $0.2 million in 2010, 2009 and 2008, respectively. Research and development revenues from GSK in 2009 and 2008 consisted of patent expense reimbursements. In December 2008, GSK s option to license each of ispinesib and SB-743921 as provided under the parties collaboration and license agreement expired. Accordingly, we retain all rights to both ispinesib and SB-743921, subject to certain royalty obligations to GSK. In December 2009, we and GSK agreed to terminate the

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collaboration and license agreement, effective February 28, 2010. We have retained all rights to ispinesib, SB-743921, and GSK-923295, subject to certain royalty obligations to GSK.

In July 2010, the National Institute of Neurological Disorders and Strokes awarded us a grant to support research and development of CK-2017357 directed to the potential treatment for myasthenia gravis for a period of up to three years. We recognized grant revenue of $0.4 million under this grant arrangement in 2010. We are eligible to receive additional funds of up to $2.4 million through 2013 under this grant.

In November 2010, we were notified by the Internal Revenue Service that we would receive total cash grants of $0.7 million based on our applications for certain investments in qualified therapeutic discovery projects under Section 48D of the Internal Revenue Code. The grants relate to certain research and development costs we incurred in 2009 in connection with our cardiac, skeletal and smooth muscle contractility programs. We received and recognized as grant revenue $0.7 million under this grant in 2010.

License revenues from related parties refers to license revenues from our strategic alliance with Amgen. License revenues were zero, $74.4 million and $12.2 million in 2010, 2009 and 2008, respectively. License revenues for 2009 consisted of the May 2009 $50.0 million option exercise fee from Amgen and the recognition of deferred revenue of the remaining $24.4 million related to the 2006 upfront non-exclusive license and technology access fee and stock purchase premium from Amgen. License revenue of $12.2 million in 2008 consisted of amortization of the 2006 upfront non-exclusive license and technology access fee and stock purchase premium from Amgen.

Deferred revenue related to the Amgen strategic alliance was zero and $0.8 million at December 31, 2010 and 2009, respectively. The deferred revenue balance at December 31, 2009 related to Amgen s prepayment of FTE reimbursements.

Research and development expenses

	Years Ended December 31,			Increase (Decrease)	
	2010	2009	2008	2010	2009
			(In millions)		
Research and development expenses	$ 38.0	$ 39.8	$ 54.0	$ (1.8)	$ (14.2)

Research and development expenses decreased $1.8 million in 2010 compared to 2009, and decreased $14.2 million in 2009 compared to 2008. The decrease in 2010 was primarily due to a decrease of $2.3 million in personnel expenses, partially offset by increases of $0.3 million in outsourcing costs related to our muscle contractility clinical trial programs and $0.3 million in laboratory expenses. The decrease in 2009 was primarily due to decreases in clinical and preclinical outsourcing costs of $9.8 million related to our cardiac muscle contractility and mitotic kinesin inhibitors clinical trial programs and preclinical outsourcing costs, $2.2 million for personnel-related costs and $2.0 million for laboratory and facility related costs.

From a program perspective, the decline in research and development spending in 2010 compared to 2009 was due to decreases of $8.3 million for our cardiac muscle contractility program, $3.1 million for our smooth muscle contractility program, $2.6 million for our mitotic kinesin inhibitors program and $1.0 million for our proprietary technologies, partially offset by increases of $11.6 million for our skeletal muscle contractility program and $1.6 million for our other research and preclinical programs. The decline in research and development spending in 2009 compared to 2008 was due to decreases of $11.0 million for our cardiac muscle contractility program,

$2.3 million for our smooth muscle contractility program, $3.4 million for our mitotic kinesin inhibitors program, $1.9 million for our proprietary technologies and $2.6 million for our other research and preclinical programs, partially offset by an increase of $7.0 million for our skeletal muscle contractility program.

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	Years Ended December 31,			Increase (Decrease)	
	2010	2009	2008	2010	2009
	(In millions)				
Cardiac muscle contractility	$ 1.6	$ 9.9	$ 20.9	$ (8.3)	$ (11.0)
Skeletal muscle contractility	29.1	17.5	10.5	11.6	7.0
Smooth muscle contractility	1.9	5.0	7.3	(3.1)	(2.3)
Mitotic kinesin inhibitors	1.0	3.6	7.0	(2.6)	(3.4)
Proprietary technologies		1.0	2.9	(1.0)	(1.9)
All other research programs	4.4	2.8	5.4	1.6	(2.6)
Total research and development expenses	$ 38.0	$ 39.8	$ 54.0	$ (1.8)	$ (14.2)

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 2011 compared to 2010. 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 CK-2017357 and our potential drug candidate CK-2066260 for the potential treatment of diseases and medical conditions associated with muscle weakness or wasting. We expect to continue research and development of 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 for 2011 will be in the range of $42.0 million to $47.0 million. Non-cash expenses such as stock-based compensation and depreciation of approximately $2.5 million are included in our estimate of 2011 research and development expenses.

General and administrative expenses

	Years Ended December 31,			Increase (Decrease)	
	2010	2009	2008	2010	2009
	(In millions)				
General and administrative expenses	$ 14.2	$ 15.6	$ 15.1	$ (1.4)	$ 0.5

General and administrative expenses decreased $1.4 million in 2010 compared with 2009, and increased $0.5 million in 2009 compared with 2008. The decrease in 2010 was primarily due to lower personnel expenses of $1.3 million. The increase in 2009 was primarily due to an increase in personnel expenses of $1.2 million, partially offset by a decrease in legal expenses of $0.7 million. The $1.2 million increase in personnel expense in 2009 was primarily due to no employee bonuses being paid for 2008 and a special bonus totaling $1.5 million being paid to all employees in

July 2009 in recognition of our employees contributions which resulted both in Amgen exercising its option for an exclusive license to omecamtiv mecarbil and related compounds and in our closing of the registered direct equity offering in 2009, partially offset by decreases in salaries and stock-based compensation.

We expect that general and administrative expenses will increase in 2011. We anticipate general and administrative expenses to be in the range of $15.0 million to $17.0 million. Non-cash expenses such as stock-based compensation and depreciation of approximately $2.3 million are included in our estimate of 2011 general and administrative expenses.

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Interest and Other, net

Components of Interest and Other, net are as follows:

	Years Ended December 31,			Increase (Decrease) in Interest and Other Income, Net	
	2010	2009	2008	2010	2009
			(In millions)		
Unrealized gain (loss) on auction rate securities (ARS) (Note 3 and Note 4)	$ 2.4	$ 1.0	$ (3.4)	$ 1.4	$ 4.4
Unrealized gain (loss) on investment put option related to ARS Rights (Note 3 and Note 4)	(2.4)	(1.0)	3.4	(1.4)	(4.4)
Warrant expense		(1.6)		1.6	(1.6)
Interest income and other income	0.4	0.6	3.2	(0.2)	(2.6)
Interest expense and other expense	(0.2)	(0.4)	(0.5)	0.2	0.1
Interest and Other, net	$ 0.2	$ (1.4)	$ 2.7	$ 1.6	$ (4.1)

Investments that we designate as trading securities are reported at fair value, with gains or losses resulting from changes in fair value recognized in earnings and included in Interest and Other, net. We classified our investments in ARS as trading securities as of December 31, 2009 and 2008.

Warrant expense of $1.6 million for 2009 is related to the change in the fair value of the warrant liability in connection with our registered direct equity offering in May 2009.

Interest income and other income consists primarily of interest income generated from our cash, cash equivalents and investments. Interest income and other income decreased in 2010 compared to 2009, and in 2009 compared to 2008, primarily due to lower market interest rates earned on our investments.

Interest expense and other expense primarily consists of interest expense on borrowings under our equipment financing lines and, for 2009 and 2010, interest expense on our loan with UBS Bank USA that originated in January 2009. The decreases in interest and other expense in 2010 compared to 2009, and in 2009 compared to 2008, were primarily due to lower outstanding balances on our equipment financing lines, partially offset by interest on our loan with UBS.

Liquidity and Capital Resources

From August 5, 1997, our date of inception, through December 31, 2010, we funded our operations through the sale of equity securities, equipment financings, non-equity payments from collaborators, government grants and interest income.

Our cash, cash equivalents and investments, excluding restricted cash, totaled $72.8 million at December 31, 2010, down from $114.7 million including ARS and the investment put option related to ARS Rights at December 31, 2009.

See Note 3, Cash Equivalents and Investments in the Notes to Financial Statements for further discussion of Investments in Auction Rate Securities and Investment Put Option Related to Auction Rate Securities Rights. The decrease of $41.9 million primarily resulted from our net loss of $49.3 million and the repayment of $10.2 million on our loan with UBS, partially offset by $14.0 million net proceeds from the 2007 committed equity financing facility with Kingsbridge.

We have received net proceeds from the sale of equity securities of $350.3 million from August 5, 1997, the date of our inception, through December 31, 2010, excluding sales of equity to GSK and Amgen. Included in these proceeds are $94.0 million received upon closing of the initial public offering of our common stock in May 2004. In connection with execution of our collaboration and license agreement in 2001, GSK made a $14.0 million equity investment in Cytokinetics. GSK made additional equity investments in Cytokinetics in 2003 and 2004 of $3.0 million and $7.0 million, respectively.

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In 2005, we entered into our first committed equity financing facility with Kingsbridge pursuant to which Kingsbridge committed to finance up to $75.0 million of capital for a three-year period. Subject to certain conditions and limitations, from time to time under this committed equity financing facility, at our election, Kingsbridge purchased newly-issued shares of our common stock at a price between 90% and 94% of the volume weighted average price on each trading day during an eight-day, forward-looking pricing period.

We received gross proceeds from draw downs and sales of our common stock to Kingsbridge under this facility as follows: 2005 gross proceeds of $5.7 million from the sale of 887,576 shares, before offering costs of $178,000; 2006 gross proceeds of $17.0 million from the sale of 2,740,735 shares; and 2007 gross proceeds of $9.5 million from the sale of 2,075,177 shares. No further draw downs are available to us under the 2005 Kingsbridge committed equity financing facility.

In October 2007, we entered into a new committed equity financing facility with Kingsbridge, pursuant to which Kingsbridge committed to finance up to $75.0 million of capital for a three-year period. In October 2010, the 2007 committed equity financing facility was amended to extend its expiration date until the first to occur of March 31, 2011 or the purchase by Kingsbridge of the maximum number of shares under the CEFF. Subject to certain conditions and limitations, which include a minimum volume-weighted average price of $2.00 for our common stock, from time to time under this facility, at our election, Kingsbridge is committed to purchase newly-issued shares of our common stock at a price between 90% and 94% of the volume- weighted average price on each trading day during an eight-day, forward-looking pricing period. The maximum number of shares we may issue in any pricing period is the lesser of 2.5% of our market capitalization immediately prior to the commencement of the pricing period or $15.0 million. As part of this arrangement, we issued a warrant to Kingsbridge to purchase 230,000 shares of our common stock at a price of $7.99 per share, which represents a premium over the closing price of our common stock on the date we entered into this facility. This warrant became exercisable beginning six months after the October 2007 issuance date and will remain exercisable for a period of three years thereafter. We may sell a maximum of 9,779,411 shares under this facility (exclusive of the shares underlying the warrant). Under the rules of the NASDAQ Stock Market LLC, this is approximately the maximum number of shares we may sell to Kingsbridge without our stockholders approval. This restriction limits the amount of proceeds we are able to obtain from this committed equity financing facility. We are not obligated to sell any of the $75.0 million of common stock available under this facility and there are no minimum commitments or minimum use penalties. The committed equity financing facility does not contain any restrictions on our operating activities, any automatic pricing resets or any minimum market volume restrictions. In 2009, we received gross proceeds of $6.9 million by selling 3,596,728 shares of our common stock to Kingsbridge under the 2007 committed equity financing facility, before offering costs of $0.1 million. In 2010, we received gross proceeds of $14.0 million by selling 5,339,819 shares of our common stock to Kingsbridge under the facility. As of March 10, 2011, up to 842,864 shares of our common stock remain available for sale under the 2007 committed equity financing facility.

In January 2007, we received a $42.0 million upfront license fee from Amgen in connection with our entry into our collaboration and option agreement in December 2006. Contemporaneously with entering into this agreement, we entered into a common stock purchase agreement with Amgen under which Amgen purchased 3,484,806 shares of our common stock at a price per share of $9.47, including a premium of $1.99 per share, and an aggregate purchase price of approximately $33.0 million. After deducting the offering costs, we received net proceeds of approximately $32.9 million. These shares were issued, and the related proceeds received, in January 2007. In June 2009, we received a $50.0 million option exercise fee from Amgen.

In May 2009, pursuant to a registered direct equity offering, we entered into subscription agreements with selected institutional investors to sell an aggregate of 7,106,600 units for a price of $1.97 per unit. Each unit consisted of one share of our common stock and one warrant to purchase 0.50 shares of our common stock. Accordingly, a total of 7,106,600 shares of common stock and warrants to purchase 3,553,300 shares of common stock were issued and sold

in this offering. The gross proceeds of the offering were $14.0 million. In connection with the offering, we paid placement agent fees to two registered broker-dealers totaling $0.8 million. After deducting the placement agent fees and the offering costs, we received net proceeds of approximately $12.9 million from the offering.

As of December 31, 2010, we have received $100.6 million in non-equity payments from Amgen and $54.5 million in non-equity payments from GSK.

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Under equipment financing arrangements, we received $23.7 million from August 5, 1997, the date of our inception, through December 31, 2010. Interest earned on investments, excluding non-cash amortization/accretion of purchase premiums/discounts, was $1.4 million, $1.6 million and $2.9 million in 2010, 2009 and 2008, respectively, and $29.3 million from August 5, 1997, the date of our inception, through December 31, 2010.

Net cash used in operating activities was $44.8 million in 2010 and primarily resulted from our net loss of $49.3 million less $4.0 million of non-cash stock-based compensation expense. Net cash provided by operations was $8.4 million in 2009 and primarily resulted from net income of $24.5 million, partially offset by a $23.7 million decrease in deferred revenue. Net income in the period primarily resulted from the recognition of $74.4 million of license revenue and $7.1 million of research and development revenue from Amgen, partially offset by cash operating expenses. We had no deferred revenue at December 31, 2010, compared to a balance of $0.8 million as of December 31, 2009. The balance of deferred revenue at December 31, 2009 consisted of Amgen s prepayments of FTE reimbursements. Net cash used by operating activities in 2008 was $61.3 million and primarily resulted from our net loss of $56.4 million. Deferred revenue decreased $12.1 million in 2008 to $24.5 million at December 31, 2008 from $36.6 million at December 31, 2007. The decrease was primarily due to the $12.2 million amortization of deferred Amgen license revenue.

Net cash provided by investing activities in 2010 was $34.2 million and primarily consisted of proceeds from sales and maturities of investments (including ARS), net of cash used to purchase investments, of $33.8 million. Net cash used in investing activities was $53.5 million in 2009 and primarily represented cash used to purchase investments, net of proceeds from the maturity of investments (including ARS), of $54.1 million. Restricted cash totaled $0.8 million at December 31, 2010, down from $1.7 million at December 31, 2009, with the decrease due to the contractual semi-annual reductions in the amount of security deposit required by General Electric Capital Corporation (GE Capital) in connection with our equipment financing credit lines. Net cash used in investing activities was $10.0 million in 2008 and primarily represented cash used in purchase of investments, net of proceeds from the maturity of investments, of $11.9 million. Restricted cash totaled $2.8 million at December 31, 2008, down from $5.2 million at December 31, 2007. This decrease was due to the contractual semi-annual reduction in the amount of security deposit required by GE Capital in connection with our equipment financing credit lines.

Net cash provided by financing activities was $2.5 million in 2010 and primarily consisted of proceeds from drawdowns under our 2007 committed equity financing facility with Kingsbridge of $14.0 million, net of issuance costs, partially offset by repayments of our loan with UBS of $10.2 million. Net cash provided by financing activities was $28.8 million in 2009 and primarily consisted of net proceeds from our May 2009 registered direct equity offering of $12.9 million, proceeds from our loan from UBS Bank USA of $12.4 million, and drawdowns under our 2007 committed equity financing facility with Kingsbridge of $6.8 million, net of issuance costs. Net cash used in financing activities was $3.5 million in 2008 and primarily represented principal payments of $4.1 million on our equipment financing credit lines with GE Capital.

Auction Rate Securities (ARS). Our short-term investments at December 31, 2009 included (at par value) $17.9 million of ARS. These ARS were intended to provide liquidity via an auction process that reset the applicable interest rate at predetermined calendar intervals, allowing investors to either roll over their holdings or gain immediate liquidity by selling such interests. With the liquidity issues experienced in global credit and capital markets, these ARS experienced multiple failed auctions beginning in February 2008, as the amount of securities submitted for sale exceeded the amount of purchase orders. As a result, the ARS ceased to be liquid.

The fair values of the ARS as of December 31, 2009 were estimated utilizing a discounted cash flow analysis. The fair value of our investments in ARS as of December 31, 2009 was determined to be $15.5 million. Changes in the fair value of the ARS, excluding the sale of ARS, were recognized in current period earnings in Interest and Other, net. Accordingly, in the year ended December 31, 2010, we recognized unrealized gains of $2.4 million on our ARS to

reflect the change in fair value, and the sale of $17.9 million of our ARS at par value. In the year ended December 31, 2009, we recognized unrealized gains of $1.0 million on our ARS to reflect the change in fair value and the sale of $2.1 million of ARS at par value.

In connection with the failed auctions of our ARS, which were marketed and sold by UBS AG and its affiliates, in October 2008, we accepted a settlement with UBS AG pursuant to which UBS AG issued to us the Series C-2 Auction Rate Securities Rights (the ARS Rights). The ARS Rights provided us the right to receive the par value of

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our ARS, i.e., the liquidation preference of the ARS plus accrued but unpaid interest at any time between June 30, 2010 and July 2, 2012.

The enforceability of the ARS Rights resulted in a put option, which we recognized as a separate freestanding instrument that was accounted for separately from the ARS. As of December 31, 2009, we recorded $2.4 million as the fair value of the investment put option related to the ARS Rights, classified in short-term assets on the balance sheet. On June 30, 2010, we exercised the ARS Rights, requiring that UBS AG purchase our remaining outstanding ARS at par value of $7.5 million. Accordingly, on the settlement date of July 1, 2010, UBS AG deposited the proceeds of $7.5 million into our money market account. The investment put option related to the ARS Rights was extinguished at that time.

In connection with the settlement with UBS AG relating to our ARS, we entered into a loan agreement with UBS Bank USA and UBS Financial Services Inc. On January 5, 2009, we borrowed approximately $12.4 million under the loan agreement, with our ARS held in accounts with UBS Financial Services, Inc. as collateral. As of June 2010, the remaining balance of the loan with UBS was fully repaid.

See Note 3, Cash Equivalents and Investments and Note 4, Fair Value Measurements in the Notes to Financial Statements for further discussion of Investments in Auction Rate Securities and Investment Put Option Related to Auction Rate Securities Rights.

Shelf Registration Statement. In November 2008, we filed a shelf registration statement with the SEC, which was declared effective in November 2008. The shelf registration statement allows us to issue shares of our common stock from time to time for an aggregate initial offering price of up to $100 million. As of March 10, 2011, $76.2 million remains available to us under this shelf registration statement, assuming all outstanding warrants are exercised in cash. The specific terms of offerings, if any, under the shelf registration statement would be established at the time of such offerings.

As of December 31, 2010, 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 lease(1)	$ 2,950	$ 5,890	$ 6,555	$ 8,826	$ 24,221
Equipment financing line	833	152			985
Total	$ 3,783	$ 6,042	$ 6,555	$ 8,826	$ 25,206

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

In future periods, we expect to incur substantial costs as we continue to expand our research programs and related research and development activities. We plan to continue 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 CK-2017357 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-2066260 and, following clearance of an IND, clinical development. We plan to progress one or more of our smooth muscle myosin inhibitor compounds through non-clinical and clinical development. We expect to incur significant research and development expenses as we advance the research and development of our other compounds from our 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;

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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 believe that our existing cash and cash equivalents, investments and interest earned on investments will be sufficient to meet our projected operating requirements for at least the next 12 months.

If, at any time, our prospects for internally financing our research and development programs decline, we may decide to reduce research and development expenses by delaying, discontinuing or reducing our funding of development of one or more of our drug candidates or 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 December 31, 2010, 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.

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Critical Accounting Policies and Estimates

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

Investments

Available-for-sale and trading investments. Our investments have consisted of ARS, municipal and government agency bonds, commercial paper, U.S. government treasury securities, and money market funds. We designated all investments, except for our ARS held by UBS, as available-for-sale. Therefore, they are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income. During the fourth quarter of fiscal year 2008, we reclassified our ARS held by UBS from available-for-sale to trading securities. Investments that we designate as trading assets are reported at fair value, with gains or losses resulting from changes in fair value recognized in earnings. See Notes to Financial Statements Note 3 Cash Equivalents and Investments for further detailed discussion. Investments with original maturities greater than three months and remaining maturities less than one year are classified as short-term investments. Investments with remaining maturities greater than one year are classified as long-term investments.

Other-than-temporary impairment. All of our available-for-sale investments are subject to a periodic impairment review. We recognize an impairment charge when a decline in the fair value of our investments below the cost basis is judged to be other-than-temporary. Factors considered by management in assessing whether an other-than-temporary impairment has occurred include: the nature of the investment; whether the decline in fair value is attributable to specific adverse conditions affecting the investment; the financial condition of the investee; the severity and the duration of the impairment; and whether we have the intent and ability to hold the investment to maturity. When we determine that an other-than-temporary impairment has occurred, the investment is written down to its market value at the end of the period in which we determine that an other-than-temporary decline occurred. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses and declines in value judged to be other-than-temporary, if any, on available-for-sale securities are included in other income or expense. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in Interest and Other, net.

Revenue Recognition

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

Research and development revenues, which are earned under agreements with third parties for agreed research and development activities, may include non-refundable license fees, research and development funding, cost reimbursements and contingent milestones and royalties. Our revenue arrangements with multiple elements are divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value to the customer and whether there is objective and reliable evidence of the fair value of the undelivered items. The consideration we receive is allocated among the separate units based on their respective fair

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values, and the applicable revenue recognition criteria are applied to each of the separate units. Non-refundable license fees are recognized as revenue as we perform under the applicable agreement. Where the level of effort is relatively consistent over the performance period, we recognize total fixed or determined revenue on a straight-line basis over the estimated period of expected performance.

We recognize milestone payments as revenue upon achievement of the milestone, provided the milestone payment is non-refundable, substantive effort and risk is involved in achieving the milestone and the amount of the milestone is reasonable in relation to the effort expended or risk associated with the achievement of the milestone. If these conditions are not met, we defer the milestone payment and recognize it as revenue over the estimated period of performance under the contract as we complete our performance obligations.

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

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

Preclinical Study and Clinical Trial Accruals

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

Stock-Based Compensation

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

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

As required under the accounting rules, we review our valuation assumptions at each grant date and, as a result, from time to time we will likely change the valuation assumptions we use to value stock based awards granted in future periods. The assumptions used in calculating the fair value of share-based payment awards represent management s best estimates at the time, but these estimates involve inherent uncertainties and the application of

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management judgment. As a result, if conditions change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and recognize expense only for those shares expected to vest. If our actual forfeiture rate is materially different from our estimate, the stock-based compensation expense could be significantly different from what we have recorded in the current period.

Income taxes

We account for income taxes under the liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce the deferred tax assets to the amounts expected to be realized. We did not record an income tax provision in the year ended December 31, 2008 because we had a net taxable loss in that period. We recorded an income tax provision of $150,000 in 2009 due to alternative minimum tax (AMT). However, due to the Department of the Treasury s further guidance clarifying that utilization of the AMT net operating loss (NOL) was not limited to 90% as part of the 5-year NOL carryback provision brought about by the Worker, Homeownership, and Business Assistance Act of 2009, the 2009 AMT liability was reversed in 2010. In addition to the $150,000 benefit related to the AMT liability, we also recognized a $26,000 benefit related to the monetization of the federal research tax credit for a total benefit of approximately $176,000 in 2010.

Based upon the weight of available evidence, which includes our historical operating performance, reported cumulative net losses since inception and difficulty in accurately forecasting our future results, we maintained a full valuation allowance on the net deferred tax assets as of December 31, 2010, 2009 and 2008. The valuation allowance was determined pursuant to the accounting guidance for income taxes, which requires an assessment of both positive and negative evidence when determining whether it is more likely than not that deferred tax assets are recoverable. We intend to maintain a full valuation allowance on the U.S. deferred tax assets until sufficient positive evidence exists to support reversal of the valuation allowance. The valuation allowance increased by $15.6 million in 2010, decreased by $9.56 million in 2009, and increased by $23.9 million in 2008.

We also follow the accounting guidance that defines the threshold for recognizing the benefits of tax return positions in the financial statements as more-likely-than-not to be sustained by the taxing authorities based solely on the technical merits of the position. If the recognition threshold is met, the tax benefit is measured and recognized as the largest amount of tax benefit that, in our judgment, is greater than 50% likely to be realized. We are currently not undergoing any income tax examinations. In general, the statute of limitations for tax liabilities for these years remains open for the purpose of adjusting the amounts of the losses and credits carried forward from those years.

Interest accrued related to unrecognized tax benefits and penalties were zero for 2010 and 2009. We account for interest related to unrecognized tax benefits and penalties by classifying both as income tax expense in the financial statements in accordance with the accounting guidance for uncertainty in income taxes. We do not expect our unrecognized tax benefits to change materially over the next twelve months.

Recent Accounting Pronouncements

See Recent Accounting Pronouncements in Note 1, Organization and Significant Accounting Policies in the Notes to 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.

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

Interest Rate and Market Risk

Our exposure to market risk is limited to interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because the majority of our investments are in short-term debt securities. The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive without significantly increasing risk. We are exposed to the impact of interest rate changes and changes in the market values of our investments. Our interest income is sensitive to changes in the general level of

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U.S. interest rates. Our exposure to market rate risk for changes in interest rates relates primarily to our investment portfolio. We have not used derivative financial instruments in our investment portfolio. We invest the majority of our excess cash in U.S. Treasuries and, by policy, limit the amount of credit exposure in any one issuer and investment class, with the exception of obligations of the U.S. Treasury and federal agencies, for which there are no such limits. We protect and preserve our invested funds by attempting to limit default, market and reinvestment risk. Investments in both fixed-rate and floating-rate interest-earning instruments carry a degree of interest rate risk. Fixed-rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating-rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates.

To minimize risk, we maintain our portfolio of cash and cash equivalents and short- and long-term investments in a variety of interest-bearing instruments, including U.S. government and agency securities, high grade municipal and U.S. bonds and money market funds. Our investment portfolio of short- and long-term investments is subject to interest rate risk, and will fall in value if market interest rates increase.

Our cash and cash equivalents are invested in highly liquid securities with maturities of three months or less at the time of purchase. Consequently, we do not consider our cash and cash equivalents to be subject to significant interest rate risk and have therefore excluded them from the table below. On the liability side, our equipment financing lines carry fixed interest rates and therefore also may be subject to changes in fair value if market interest rates fluctuate. We do not have any foreign currency or derivative financial instruments.

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

	2011	2012	2013	Beyond 2013	Total	Fair Value at December 31, 2010
Assets:						
Investments	$ 54,125	$ 1,206			$ 55,331	$ 55,331
Average interest rate	0.28%	0.42%			0.29%	
Liabilities:						
Equipment financing lines	$ 833	$ 152			$ 985	$ 947
Average interest rate	7.31%	7.25%			7.30%	

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

CYTOKINETICS, INCORPORATED
(A Development Stage Enterprise)
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the accompanying balance sheets and the related statement of operations, stockholders equity (deficit) and cash flows present fairly, in all material respects, the financial position of Cytokinetics, Incorporated at December 31, 2010 and December 31, 2009, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2010 and cumulatively, for the period from August 5, 1997 (date of inception) to December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PRICEWATERHOUSECOOPERS LLP
San Jose, CA
March 10, 2011

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CYTOKINETICS, INCORPORATED
(A Development Stage Enterprise)

BALANCE SHEETS

	December 31, 2010	2009
	(In thousands, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,514	$ 25,561
Short-term investments	54,125	71,266
Investments in auction rate securities		15,542
Investment put option related to auction rate securities rights		2,358
Related party accounts receivable	46	180
Related party notes receivable		9
Prepaid and other current assets	1,813	2,005
Total current assets	73,498	116,921
Long-term investments	1,206	
Property and equipment, net	2,321	3,713
Restricted cash	788	1,674
Other assets	179	291
Total assets	$ 77,992	$ 122,599
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 1,119	$ 1,683
Accrued liabilities	5,372	5,935
Short-term portion of equipment financing lines	833	1,616
Deferred revenue		751
Loan with UBS		10,201
Total current liabilities	7,324	20,186
Long-term portion of equipment financing lines	152	985
Total liabilities	7,476	21,171
Commitments and contingencies (Note 11)		
Stockholders equity:		
Convertible preferred stock:		
Authorized: 10,000,000 shares in 2010 and 2009		
Issued and outstanding: zero shares in 2010 and 2009		
Common stock, $0.001 par value:		

Authorized: 170,000,000 shares in 2010 and 2009		
Issued and outstanding: 66,907,600 shares in 2010 and 61,275,036 shares in 2009	67	61
Additional paid-in capital	431,103	412,729
Accumulated other comprehensive income	(4)	1
Deficit accumulated during the development stage	(360,650)	(311,363)
Total stockholders equity	70,516	101,428
Total liabilities and stockholders equity	$ 77,992	$ 122,599

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

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CYTOKINETICS, INCORPORATED
(A Development Stage Enterprise)

STATEMENTS OF OPERATIONS

	Years Ended December 31,			Period from August 5, 1997 (Date of Inception) to December 31,
	2010	2009	2008	2010
	(In thousands, except per share data)			
Revenues:				
Research and development revenues from related parties	$ 1,487	$ 7,171	$ 186	$ 49,096
Research and development, grant and other revenues	1,090			4,045
License revenues from related parties		74,367	12,234	112,935
Total revenues	2,577	81,538	12,420	166,076
Operating expenses:				
Research and development	38,013	39,840	53,950	415,290
General and administrative	14,199	15,626	15,076	130,362
Restructuring charges (reversals)		(23)	2,473	2,450
Total operating expenses	52,212	55,443	71,499	548,102
Operating income (loss)	(49,635)	26,095	(59,079)	(382,026)
Interest and other, net	172	(1,401)	2,705	21,350
Income (loss) before income taxes	(49,463)	24,694	(56,374)	(360,676)
Income tax provision (benefit)	(176)	150		(26)
Net income (loss)	$ (49,287)	$ 24,544	$ (56,374)	$ (360,650)
Net income (loss) per common share:				
Basic	$ (0.77)	$ 0.43	$ (1.14)	
Diluted	$ (0.77)	$ 0.42	$ (1.14)	
Weighted-average number of shares used in computing net income (loss) per common share:				
Basic	64,165	57,390	49,392	
Diluted	64,165	57,961	49,392	

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

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CYTOKINETICS, INCORPORATED
(A Development Stage Enterprise)

STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)

	Common Stock		Additional Paid-In	Deferred Stock-Based	Accumulated Other Comprehensive	Deficit Accumulated During the	Total Stockholders
	Shares	Amount	Capital	Compensation	Income (Loss)	Development Stage	Equity (Deficit)
	(In thousands, except share and per share data)						
Issuance of common stock upon exercise of stock options for cash at $0.015 per share	147,625	$	$ 2	$	$	$	$ 2
Issuance of common stock to founders at $0.015 per share in exchange for cash in January 1998	563,054	1	7				8
Net loss						(2,015)	(2,015)
Balances, December 31, 1998	710,679	1	9			(2,015)	(2,005)
Issuance of common stock upon exercise of stock options for cash at $0.015-$0.58 per share	287,500		69				69
Issuance of warrants, valued using Black-Scholes model			41				41
Deferred stock-based compensation			237	(237)			
Amortization of deferred stock-based compensation				123			123
Components of comprehensive loss:							
Change in unrealized gain (loss) on investments					(8)		(8)
Net loss						(7,341)	(7,341)
Total comprehensive loss							(7,349)

Balances, December 31, 1999	998,179	1	356	(114)	(8)	(9,356)	(9,121)
Issuance of common stock upon exercise of stock options for cash at $0.015-$0.58 per share	731,661	1	194				195
Deferred stock-based compensation			93	(93)			
Amortization of deferred stock-based compensation				101			101
Components of comprehensive loss:							
Change in unrealized gain (loss) on investments					86		86
Net loss						(13,079)	(13,079)
Total comprehensive loss							(12,993)
Balances, December 31, 2000	1,729,840	2	643	(106)	78	(22,435)	(21,818)
Issuance of common stock upon exercise of stock options for cash at $0.015-$1.20 per share	102,480		56				56
Repurchase of common stock	(33,334)		(19)				(19)
Compensation expense for acceleration of options			20				20
Deferred stock-based compensation			45	(45)			
Amortization of deferred stock-based compensation				93			93
Components of comprehensive loss:							
Change in unrealized gain (loss) on investments					190		190
Net loss						(15,874)	(15,874)
Total comprehensive loss							(15,684)
Balances, December 31, 2001	1,798,986	2	745	(58)	268	(38,309)	(37,352)
Issuance of common stock upon exercise of	131,189		68				68

stock options for cash at $0.015-$1.20 per share					
Repurchase of common stock	(3,579)	(2)			(2)
Deferred stock-based compensation		(2)	2		
Amortization of deferred compensation			6		6
Components of comprehensive loss:					
Change in unrealized gain (loss) on investments				(228)	(228)
Net loss				(23,080)	(23,080)
Total comprehensive loss					(23,308)

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CYTOKINETICS, INCORPORATED
(A Development Stage Enterprise)

STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT) (Continued)

	Common Stock		Additional Paid-In	Deferred Stock-Based	Accumulated Other Comprehensive	Deficit Accumulated During the Development	Total Stockholders Equity
	Shares	Amount	Capital	Compensation	(Loss)	Stage	(Deficit)
	(In thousands, except share and per share data)						
Balances, December 31, 2002	1,926,596	$ 2	$ 809	$ (50)	$ 40	$ (61,389)	$ (60,588)
Issuance of common stock upon exercise of stock options for cash at $0.20-$1.20 per share	380,662		310				310
Stock-based compensation			158				158
Deferred stock-based compensation			4,369	(4,369)			
Amortization of deferred stock-based compensation				768			768
Components of comprehensive loss:							
Change in unrealized gain (loss) on investments					6		6
Net loss						(32,685)	(32,685)
Total comprehensive loss							(32,679)
Balances, December 31, 2003	2,307,258	2	5,646	(3,651)	46	(94,074)	(92,031)
Issuance of common stock upon initial public offering at $13.00 per share, net of issuance costs of $9,151	7,935,000	8	93,996				94,004
Issuance of common stock to related party for $13.00 per share	538,461	1	6,999				7,000
Issuance of common stock to related party	37,482						
Conversion of preferred stock to common stock upon initial public offering	17,062,145	17	133,155				133,172
	115,358						

Issuance of common stock upon cashless exercise of warrants							
Issuance of common stock upon exercise of stock options for cash at $0.20-$6.50 per share	404,618		430				430
Issuance of common stock pursuant to ESPP at $8.03 per share	69,399		557				557
Stock-based compensation			278				278
Deferred stock-based compensation			2,198	(2,198)			
Amortization of deferred stock-based compensation				1,598			1,598
Repurchase of unvested stock	(16,548)		(20)				(20)
Components of comprehensive loss:							
Change in unrealized gain (loss) on investments					(234)		(234)
Net loss						(37,198)	(37,198)
Total comprehensive loss							(37,432)
Balances, December 31, 2004	28,453,173	28	243,239	(4,251)	(188)	(131,272)	107,556
Issuance of common stock upon exercise of stock options for cash at $0.58-$7.10 per share	196,703	1	370				371
Issuance of common stock pursuant to ESPP at $4.43 per share	179,520		763				763
Issuance of common stock upon cashless exercise of warrants	14,532						
Issuance of common stock upon drawdown of committed equity financing facility at $6.13-$7.35 per share, net of issuance costs of $178	887,576	1	5,546				5,547
Stock-based compensation			67				67
Amortization of deferred stock-based compensation, net of cancellations			(439)	1,799			1,360
Repurchase of unvested stock	(20,609)		(25)				(25)
Components of comprehensive loss:							

Change in unrealized gain (loss) on investments	174		174
Net loss		(42,252)	(42,252)
Total comprehensive loss			(42,078)

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CYTOKINETICS, INCORPORATED
(A Development Stage Enterprise)

STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT) (Continued)

	Common Stock		Additional Paid-In	Deferred Stock-Based	Accumulated Other Comprehensive	Deficit Accumulated During the Development	Total Stockholders Equity
	Shares	Amount	Capital	Compensation	(Loss)	Stage	(Deficit)
	(In thousands, except share and per share data)						
Balances, December 31, 2005	29,710,895	$ 30	$ 249,521	$ (2,452)	$ (14)	$ (173,524)	$ 73,561
Issuance of common stock upon exercise of stock options for cash at $0.20-$7.10 per share	354,502		559				559
Issuance of common stock pursuant to ESPP at a weighted price of $4.43 per share	193,248		856				856
Issuance of common stock pursuant to registered direct offerings at $6.60 and $7.00 per share, net of issuance costs of $3,083	10,285,715	10	66,907				66,917
Issuance of common stock upon drawdown of committed equity financing facility at $5.53-$7.02 per share	2,740,735	3	16,954				16,957
Stock-based compensation			3,421				3,421
Amortization of deferred stock-based compensation, net of cancellations			(138)	1,358			1,220
Repurchase of unvested stock	(1,537)		(2)				(2)
Components of comprehensive loss:							
Change in unrealized gain (loss) on investments					(61)		(61)
Net loss						(57,115)	(57,115)
Total comprehensive loss							(57,176)

Balances, December 31, 2006	43,283,558	43	338,078	(1,094)	(75)	(230,639)	106,313
Issuance of common stock upon exercise of stock options for cash at $0.58-$7.10 per share	259,054	1	511				512
Issuance of common stock pursuant to ESPP at a weighted price of $4.49 per share	179,835		807				807
Issuance of common stock upon drawdown of committed equity financing facility at $4.43-$4.81 per share	2,075,177	2	9,540				9,542
Issuance of common stock to related party for $9.47 per share, net of issuance costs of $57	3,484,806	3	26,006				26,009
Stock-based compensation			4,833				4,833
Amortization of deferred stock-based compensation, net of cancellations			(45)	765			720
Repurchase of unvested stock	(68)						
Components of comprehensive loss:							
Change in unrealized gain (loss) on investments					74		74
Net loss						(48,894)	(48,894)
Total comprehensive loss							(48,820)
Balances, December 31, 2007	49,282,362	49	379,730	(329)	(1)	(279,533)	99,916
Issuance of common stock upon exercise of stock options for cash at $0.58-$3.37 per share	95,796		131				131
Issuance of common stock pursuant to ESPP at a weighted price of $2.85 per share	164,451		468				468
Issuance of restricted stock at a price of $0.001 per share	397,960	1	(1)				
Cancellation of restricted stock	(1,500)						
Stock-based compensation			5,277				5,277
Amortization of deferred stock-based compensation,				329			329

net of cancellations			
Components of comprehensive loss:			
Change in unrealized gain (loss) on investments	19		19
Net loss		(56,374)	(56,374)
Total comprehensive loss			(56,355)

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CYTOKINETICS, INCORPORATED
(A Development Stage Enterprise)

STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT) (Continued)

	Common Stock		Additional Paid-In Capital	Deferred Stock-Based Compensation	Accumulated Other Comprehensive Income (Loss)	Deficit Accumulated During the Development Stage	Total Stockholders Equity (Deficit)
	Shares	Amount					
	(In thousands, except share and per share data)						
Balances, December 31, 2008	49,939,069	$ 50	$ 385,605	$	$ 18	$ (335,907)	$ 49,766
Issuance of common stock upon exercise of stock options for cash at $0.20-$4.95 per share	492,003		588				588
Issuance of common stock pursuant to ESPP at a weighted price of $1.66 per share	149,996		249				249
Issuance of common stock and warrants pursuant to registered direct offering at $1.97 per share, net of issuance costs of $1,062	7,106,600	7	14,515				14,522
Issuance of common stock upon drawdown of committed equity financing facility at $1.80-$2.29 per share, net of issuance costs of $98	3,596,728	4	6,846				6,850
Cancellation of restricted stock	(9,360)						
Stock-based compensation			4,906				4,906
Tax benefit from stock based compensation			20				20
Components of comprehensive loss:							
Change in unrealized gain (loss) on investments					(17)		(17)
Net income						24,544	24,544
Total comprehensive income							24,527

Balances, December 31, 2009	61,275,036	61	412,729	1	(311,363)		101,428
Issuance of common stock upon exercise of stock options for cash at $0.58-$2.00 per share	176,433	1	197				198
Issuance of common stock pursuant to ESPP at a weighted price of $1.70 per share	134,237		228				228
Issuance of common stock upon drawdown of committed equity financing facility at $2.05-$3.15 per share, net of issuance costs of $1)	5,339,819	5	13,952				13,957
Cancellation of restricted stock	(17,925)						
Stock-based compensation			4,017				4,017
Reversal of tax benefit from stock based compensation			(20)				(20)
Components of comprehensive loss:							
Change in unrealized gain (loss) on investments				(5)			(5)
Net loss					(49,287)		(49,287)
Total comprehensive loss							(49,292)
Balances, December 31, 2010	66,907,600	$ 67	$ 431,103	$	$ (4)	$ (360,650)	$ 70,516

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

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CYTOKINETICS, INCORPORATED
(A Development Stage Enterprise)

STATEMENTS OF CASH FLOWS

	Years Ended December 31,			Period from August 5, 1997 (Date of Inception) to December 31,
	2010	2009	2008	2010
	(In thousands)			
Cash flows from operating activities:				
Net income (loss)	$ (49,287)	$ 24,544	$ (56,374)	$ (360,650)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization of property and equipment	1,900	2,021	2,456	27,366
(Gain) loss on disposal of equipment	(13)	(40)	3	298
Non-cash impairment charges		103		103
Non-cash restructuring expenses, net of reversals		22	476	498
Non-cash interest expenses			77	504
Non-cash forgiveness of loan to officers	9	10	51	434
Stock-based compensation	4,017	4,906	5,606	29,276
Tax benefit from stock-based compensation	20	(20)		
Non-cash warrant expense		1,585		1,626
Other non-cash expenses			7	141
Changes in operating assets and liabilities:				
Related party accounts receivable	134	41	(145)	(397)
Prepaid and other assets	304	(166)	192	(2,020)
Accounts payable	(536)	334	(6)	1,186
Accrued liabilities	(627)	(1,183)	(1,540)	5,172
Related party payables and accrued liabilities			(22)	
Deferred revenue	(751)	(23,741)	(12,109)	
Net cash provided by (used in) operating activities	(44,830)	8,416	(61,328)	(296,463)
Cash flows from investing activities:				
Purchases of investments	(109,860)	(132,205)	(24,462)	(911,430)
Proceeds from sales and maturities of investments	125,790	75,970	12,607	836,153
Proceeds from sales of auction rate securities	17,900	2,125		20,025
Purchases of property and equipment	(493)	(550)	(658)	(30,593)
Proceeds from sales of property and equipment	14	74		138
(Increase) decrease in restricted cash	886	1,076	2,417	(788)
Issuance of related party notes receivable				(1,146)
Proceeds from repayments of notes receivable		30	130	859

Net cash provided by (used in) investing activities	34,237	(53,480)	(9,966)	(86,782)
Cash flows from financing activities:				
Proceeds from initial public offering, sale of common stock to related party, and public offerings, net of issuance costs		12,937		206,871
Proceeds from draw down of committed equity financing facilities, net of issuance costs	13,958	6,850		52,854
Proceeds from other issuances of common stock	425	837	599	7,419
Proceeds from issuance of preferred stock, net of issuance costs				133,172
Repurchase of common stock				(68)
Proceeds from loan with UBS		12,441		12,441
Repayment of loan with UBS	(10,201)	(2,240)		(12,441)
Proceeds from equipment financing lines				23,696
Repayment of equipment financing lines	(1,616)	(2,039)	(4,050)	(23,185)
Tax (expense) benefit from stock-based compensation	(20)	20		
Net cash provided by (used in) financing activities	2,546	28,806	(3,451)	400,759
Net increase (decrease) in cash and cash equivalents	(8,047)	(16,258)	(74,745)	17,514
Cash and cash equivalents, beginning of period	25,561	41,819	116,564	
Cash and cash equivalents, end of period	$ 17,514	$ 25,561	$ 41,819	$ 17,514

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

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CYTOKINETICS, INCORPORATED
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS

Note 1 Organization and Significant Accounting Policies

Organization

Cytokinetics, Incorporated (the Company , we or our) was incorporated under the laws of the state of Delaware on August 5, 1997. The Company is a clinical-stage biopharmaceutical company focused on the discovery and development of novel small molecule therapeutics that modulate muscle function for the potential treatment of serious diseases and medical conditions. The Company is a development stage enterprise and has been primarily engaged in conducting research, developing drug candidates and technologies, and raising capital. The Company has never generated revenues from commercial sales of its drugs and it may not have drugs to market for at least several years, if ever.

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 consolidated financial statements contemplate the conduct of the Company s operations in the normal course of business. The Company has incurred an accumulated deficit since inception and there can be no assurance that the Company will attain profitability. The Company had a net loss of $49.3 million and net cash used in operations of $44.8 million for the year ended December 31, 2010, and an accumulated deficit of approximately $360.7 million as of December 31, 2010. Cash, cash equivalents and investments decreased to $72.8 million at December 31, 2010 from $114.7 million at December 31, 2009. The Company anticipates that it will continue to have operating losses and net cash outflows in future periods. If sufficient additional capital is not available on terms acceptable to the Company, its liquidity will be impaired.

The Company has funded its operations primarily through sales of 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. Based on the current status of its development plans, the Company believes that its existing cash, cash equivalents and investments at December 31, 2010 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.

Use of Estimates

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

Basis of Presentation

The 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.

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CYTOKINETICS, INCORPORATED
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS (Continued)

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments that potentially subject the Company to concentrations of risk consist principally of cash and cash equivalents, investments and accounts receivable. The Company s cash, cash equivalents and investments are invested in deposits with three major financial institutions in the U.S. Deposits in these banks may exceed the amount of insurance provided on such deposits. The Company has not experienced any realized losses on its deposits of cash, cash equivalents or investments.

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

The Company performs an ongoing credit evaluation of its strategic partners financial conditions and generally does not require collateral to secure accounts receivable from its strategic partners. The Company s exposure to credit risk associated with non-payment will be affected principally by conditions or occurrences within Amgen Inc. (Amgen), its strategic partner. Approximately 58%, 100% and 99% of total revenues for the years ended December 31, 2010, 2009 and 2008, respectively, were derived from Amgen. Accounts receivable due from Amgen was $41,000 and $175,000 at December 31, 2010 and 2009, respectively and were included in related party accounts receivable. See also Note 6, Related Party Transactions, below regarding collaboration agreements with Amgen and GSK.

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

The Company s operations and employees are located in the United States. In the years ended December 31, 2010, 2009 and 2008, all of the Company s revenues were received from entities located in the United States or from United States affiliates of foreign corporations.

Restricted Cash

In accordance with the terms of the Company s line of credit agreement with General Electric Capital Corporation (GE Capital), the Company is obligated to maintain a certificate of deposit with the lender. The balance of the certificate of deposit was $0.8 million and $1.7 million at December 31, 2010 and 2009, respectively, and was classified as restricted cash.

Cash and Cash Equivalents

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

Investments

Available-for-sale and trading investments. The Company s investments have consisted of auction rate securities (ARS), U.S. municipal and government agency bonds, commercial paper, U.S. government treasury securities, and money market funds. The Company designates all investments, except for its ARS that were held by UBS AG (UBS), as available-for-sale and therefore reports them at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income. The Company reclassified its ARS held by UBS from available-for-sale to trading securities. Investments that the Company designates as trading assets are reported at

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fair value, with gains or losses resulting from changes in fair value recognized in net income (loss). See Note 3 for further detailed discussion. Investments with original maturities greater than three months and remaining maturities of one year or less are classified as short-term investments. Investments with remaining maturities greater than one year are classified as long-term investments.

Other-than-temporary impairment. All of the Company s available-for-sale investments are subject to a periodic impairment review. The Company recognizes an impairment charge when a decline in the fair value of its investments below the cost basis is judged to be other-than-temporary. Factors considered by management in assessing whether an other-than-temporary impairment has occurred include: the nature of the investment; whether the decline in fair value is attributable to specific adverse conditions affecting the investment; the financial condition of the investee; the severity and the duration of the impairment; and whether the Company has the intent and ability to hold the investment to maturity. When it is determined that an other-than-temporary impairment has occurred, the investment is written down to its market value at the end of the period in which it is determined that an other-than-temporary decline has occurred. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Recognized gains and losses and declines in value judged to be other-than-temporary, if any, on available-for-sale securities are included in other income or expense. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in Interest and Other, net.

Property and Equipment

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

Impairment of Long-lived Assets

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

Revenue Recognition

The accounting guidance for revenue recognition requires that certain criteria must be met before revenue can be recognized: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the fee is fixed or determinable; and collectability is reasonably assured. Determination of whether persuasive evidence of

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

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Research and development revenues, which are earned under agreements with third parties for agreed research and development activities, may include non-refundable license fees, research and development funding, cost reimbursements and contingent milestones and royalties. The Company s revenue arrangements with multiple elements are evaluated under the accounting guidance for revenue arrangements with multiple deliverables, and are divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value to the customer and whether there is objective and reliable evidence of the fair value of the undelivered items. The consideration the Company receives is allocated among the separate units based on their respective fair values, and the applicable revenue recognition criteria are applied to each of the separate units. Non-refundable license fees are recognized as revenue as the Company performs under the applicable agreement. Where the level of effort is relatively consistent over the performance period, the Company recognizes total fixed or determined revenue on a straight-line basis over the estimated period of expected performance.

The Company recognizes milestone payments as revenue upon achievement of the milestone, provided the milestone payment is non-refundable, substantive effort and risk is involved in achieving the milestone and the amount of the milestone is reasonable in relation to the effort expended or risk associated with the achievement of the milestone. If these conditions are not met, the Company defers the milestone payment and recognizes it as revenue over the estimated period of performance under the contract as the Company completes its performance obligations.

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

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

Preclinical Studies and Clinical Trial Accruals

A substantial portion of the Company s preclinical studies and all of the Company s clinical trials have been performed by third-party contract research organizations (CROs) and other vendors. For preclinical studies, the significant factors used in estimating accruals include the percentage of work completed to date and contract milestones achieved. For clinical trial expenses, the significant factors used in estimating accruals include the number of patients enrolled,

duration of enrollment and percentage of work completed to date. The Company monitors patient enrollment levels and related activities to the extent practicable through internal reviews, correspondence and status meetings with CROs, and review of contractual terms. The Company s estimates are dependent on the timeliness and accuracy of data provided by its CROs and other vendors. If the Company has incomplete or inaccurate data, it may under- or overestimate activity levels associated with various studies or trials

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at a given point in time. In this event, it could record adjustments to research and development expenses in future periods when the actual activity level becomes known. No material adjustments to preclinical study and clinical trial expenses have been recognized to date.

Research and Development Expenditures

Research and development costs are charged to operations as incurred.

Retirement Plan

The Company sponsors a 401(k) defined contribution plan covering all employees. There have been no employer contributions to the plan since inception.

Income Taxes

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

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

Comprehensive Income/(Loss)

The Company follows the accounting standards for the reporting and presentation of comprehensive income (loss) and its components. Comprehensive income (loss) includes all changes in stockholders equity during a period from non-owner sources. Comprehensive income (loss) for each of the years ended December 31, 2010, 2009 and 2008 was equal to net income (loss) adjusted for unrealized gains and losses on investments.

Segment Reporting

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

Net Loss Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of vested common shares outstanding during the period. Diluted net income (loss) per common share is computed by giving effect to all potential dilutive common shares, including outstanding stock options, unvested restricted stock, warrants, and shares issuable under the Employee Stock Purchase Plan (ESPP), by applying the

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treasury stock method. The following is the calculation of basic and diluted net income (loss) per common share (in thousands except per share data):

	Years Ended December 31,		
	2010	2009	2008
Net income (loss)	$ (49,287)	$ 24,544	$ (56,374)
Weighted-average common shares outstanding	64,286	57,717	49,477
Unvested restricted stock	(121)	(327)	(85)
Weighted-average shares used in computing net income (loss) per share basic	64,165	57,390	49,392
Dilutive effect of stock options, unvested restricted stock and warrants		571	
Weighted-average shares used in computing net income (loss) per share diluted	64,165	57,961	49,392
Net income (loss) per common share:			
Basic	$ (0.77)	$ 0.43	$ (1.14)
Diluted	$ (0.77)	$ 0.42	$ (1.14)

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

	December 31,		
	2010	2009	2008
Options to purchase common stock	8,096	5,960	5,975
Unvested restricted stock			396
Warrants to purchase common stock	4,027	474	474
Shares issuable related to the ESPP	40	80	43
Total shares	12,163	6,514	6,888

Stock-Based Compensation

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

generally the vesting period of the award.

The following table summarizes stock-based compensation related to stock options, restricted stock awards and employee stock purchases, including, for 2008, amortization of deferred compensation recognized (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Research and development	$ 1,871	$ 2,345	$ 2,794
General and administrative	2,146	2,561	2,812
Stock-based compensation included in operating expenses	$ 4,017	$ 4,906	$ 5,606

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

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

	Year Ended December 31, 2010		Year Ended December 31, 2009		Year Ended December 31, 2008	
	Employee Stock Options	ESPP	Employee Stock Options	ESPP	Employee Stock Options	ESPP
Risk-free interest rate	2.8%	0.29%	2.7%	0.58%	2.98%	2.15%
Volatility	73%	72%	76%	74%	64%	68%
Expected term (in years)	6.12	1.25	6.07	1.25	6.08	1.25
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

The Company uses its own historical exercise activity and extrapolates the life cycle of options outstanding to arrive at its estimated expected term for new option grants.

The Company uses its own volatility history based on its stock s trading history for the period subsequent to the Company s IPO in April 2004. Prior to the second quarter of 2010, because its outstanding options had an expected term of approximately six years, the Company supplemented its own volatility history by using comparable companies volatility history for the relevant period preceding the Company s IPO. Starting the second quarter of 2010, the Company solely uses its own volatility history because it now has sufficient history to approximate the expected term of options granted.

The Company measures compensation expense for restricted stock awards at fair value on the date of grant and recognizes the expense over the expected vesting period. The fair value for restricted stock awards is based on the closing price of the Company s common stock on the date of grant.

As of December 31, 2010, there was $4.8 million of unrecognized compensation cost related to non-vested stock options, which is expected to be recognized over a weighted-average period of 2.5 years.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

The Company has adopted the new accounting guidance for improving disclosures about fair value measurements. The new guidance adds a requirement to disclose transfers in and out of Level 3 and fair value measurements, and clarifies existing guidance about the level of disaggregation of fair value measurements and disclosures regarding inputs and valuation techniques. The Company s adoption of the new guidance did not have a material impact on its financial position or results of operations.

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Accounting Pronouncements Not Yet Adopted

In October 2009, the Financial Accounting Standards Board (FASB) issued new accounting guidance for recognizing revenue for multiple-deliverable revenue arrangements. The new guidance amends the existing guidance for separately accounting for individual deliverables in a revenue arrangement with multiple deliverables, and removes the criterion that an entity must use objective and reliable evidence of fair value to separately account for the deliverables. The new guidance also establishes a hierarchy for determining the value of each deliverable and establishes the relative selling price method for allocating consideration when vendor specific objective evidence or third party evidence of value does not exist. The Company will adopt the new guidance prospectively for new revenue arrangements entered into or materially modified beginning in the first quarter of 2011. The Company does not believe adoption of the new guidance will have a significant impact on its financial position or results of operations; however, it is currently evaluating the impact that the guidance may have on the timing of revenue recognition for future arrangements.

In January 2010, the FASB issued new accounting guidance for improving disclosures about fair value measurements, which requires a gross presentation of Level 3 fair value rollforwards. The guidance is effective for the Company beginning in the first quarter of 2011. The Company does not expect that its adoption of the new fair value guidance will have a material impact on its financial position or results of operations.

In April 2010, the FASB issued new accounting guidance on the milestone method of revenue recognition. The new guidance codifies the milestone method as an acceptable revenue recognition model when a milestone is deemed to be substantive. The guidance is effective for the Company beginning in the first quarter of 2011, and the Company will apply the guidance prospectively for milestones achieved after the effective date. The Company does not expect that its adoption of the guidance will have a material impact on its financial position or results of operations.

Note 2 Supplementary Cash Flow Data

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

	Years Ended December 31,			Period from August 5, 1997 (Date of Inception) to December 31, 2010
	2010	2009	2008	
Cash paid for interest	$ 170	$ 399	$ 412	$ 4,568
Cash paid for income taxes	1	1	1	11
Significant non-cash investing and financing activities:				
Deferred stock-based compensation				6,940
Purchases of property and equipment through accounts payable	141	126	127	141
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 registered direct equity financing	1,585	1,585

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Note 3 Cash Equivalents and Investments

Cash Equivalents and Investments

The amortized cost and fair value of cash equivalents and available for sale investments at December 31, 2010 and 2009 were as follows (in thousands):

	December 31, 2010				
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Maturity Dates
Cash equivalents money market funds	$ 16,966			$ 16,966	
Short-term investments U.S. Treasury securities	$ 54,129	$ 4	$ (8)	$ 54,125	1/2011 12/2011
Long-term investments U.S. Treasury securities	$ 1,207	$	$ (1)	$ 1,206	1/2012

	December 31, 2009				
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Maturity Dates
Cash equivalents money market funds	$ 23,773			$ 23,773	
Short-term investments U.S. Treasury securities	$ 71,265	$ 1	$	$ 71,266	1/2010 6/2010

As of December 31, 2010, the Company s cash equivalents had no unrealized losses, and its U.S. Treasury securities classified in short- and long-term investments had unrealized losses totaling approximately $9,000. The unrealized losses 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, 2011 through March 10, 2011 and expects to be able to collect all contractual cash flows on the remaining maturities of its U.S. Treasury securities. As of December 31, 2009, the Company s cash equivalents and short-term investments had no unrealized losses.

Interest income was $0.3 million, $0.6 million and $3.2 million for the years ended December 31, 2010, 2009 and 2008, respectively, and $28.4 million for the period August 5, 1997 (inception) through December 31, 2010.

Investments in Auction Rate Securities and Investment Put Option Related to Auction Rate Securities Rights

The Company s short-term investments in ARS as of December 31, 2009 refer to securities that were structured with short-term interest reset dates every 28 days but with maturities generally greater than 10 years. At the end of each reset period, investors could attempt to sell the securities through an auction process or continue to hold the securities. In February 2008, auctions began to fail for these securities and each auction since then failed. Consequently, the ARS ceased to be liquid and the Company was not able to access these funds at that time. Because there ceased to be an active market for ARS, they therefore did not have a readily determinable market value.

In connection with the failed auctions of the Company s ARS, which were marketed and sold by UBS AG and its affiliates, in October 2008, the Company accepted a settlement with UBS AG pursuant to which UBS AG issued to the Company Series C-2 Auction Rate Securities Rights (the ARS Rights). The ARS Rights provided the

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Company the right to receive the par value of its ARS, i.e., the liquidation preference of the ARS plus accrued but unpaid interest from UBS at any time between June 30, 2010 and July 2, 2012.

At December 31, 2009, the Company held approximately $17.9 million in par value, $15.5 million carrying value, of ARS classified as short-term investments based on its intention to liquidate the investments on June 30, 2010, the earliest date it could exercise the ARS Rights. On June 30, 2010, the Company exercised its ARS Rights, requiring that UBS AG purchase the Company s remaining outstanding ARS at par value of $7.5 million. Accordingly, on the settlement date of July 1, 2010, UBS AG deposited the proceeds of $7.5 million into the Company s money market account. The Company had recorded the ARS Rights as an investment put option, which was extinguished at the time that the ARS Rights were exercised.

The fair value of the Company s investments in its ARS as of December 31, 2009 was determined to be $15.5 million. Changes in the fair value of the ARS, excluding the sale of ARS, were recognized in current period earnings in Interest and Other, net. Accordingly, in the year ended December 31, 2010, the Company recognized unrealized gains of $2.4 million on its ARS to reflect the change in fair value, and the sale of $17.9 million of its ARS at par value. In the year ended 2009, the Company recognized unrealized gains of $1.0 million on its ARS to reflect the change in fair value, and the sale of $2.1 million of ARS at par value.

The ARS Rights represented a firm agreement in accordance with the accounting guidance for derivatives and hedging, which defines a firm agreement as an agreement with an unrelated party, binding on both parties and usually legally enforceable, with the following characteristics: a) the agreement specifies all significant terms, including the quantity to be exchanged, the fixed price and the timing of the transaction; and b) the agreement includes a disincentive for nonperformance that is sufficiently large to make performance probable. The enforceability of the ARS Rights resulted in a put option that was recognized as a separate freestanding instrument that was accounted for separately from the ARS investments. The investment put option related to the ARS Rights did not meet the definition of a derivative instrument. Therefore, the Company elected to measure the investment put option related to the ARS Rights at fair value, in accordance with the fair value option permitted under fair value accounting guidance for financial instruments, to mitigate volatility in reported earnings due to their linkage to the ARS. The Company valued the investment put option related to the ARS Rights using a Black-Scholes option pricing model that included estimates of interest rates, based on data available, and was adjusted for any bearer risk associated with UBS s financial ability to repurchase the ARS beginning June 30, 2010. As of December 31, 2009, the Company recorded $2.4 million as the fair value of the investment put option related to the ARS Rights, classified in short-term assets on the balance sheet. Changes in the fair value of the investment put option were recognized in current period earnings in Interest and Other, net. Accordingly, the Company recorded unrealized losses on the ARS Rights of $2.4 million in 2010 and unrealized losses of $1.0 million in 2009 in Interest and Other, net, in the statement of operations to reflect the change in fair value of the investment put option.

Note 4 Fair Value Measurements

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

corroborated or generally unobservable.

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

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

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

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

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

Financial assets measured at fair value on a recurring basis as of December 31, 2010 and 2009 are classified in the table below in one of the three categories described above (in thousands):

	December 31, 2010			
	Fair Value Measurements Using			Assets
	Level 1	Level 2	Level 3	At Fair Value
Money market funds	$ 16,966	$	$	$ 16,966
U.S. Treasury securities	55,331			55,331
Total	$ 72,297	$	$	$ 72,297
Amounts included in:				
Cash and cash equivalents	$ 16,966	$	$	$ 16,966
Short-term investments	54,125			54,125
Long-term investments	1,206			1,206
Total	$ 72,297	$	$	$ 72,297

	December 31, 2009			
	Fair Value Measurements Using			Assets
	Level 1	Level 2	Level 3	At Fair Value
Money market funds	$ 23,773	$	$	$ 23,773
U.S. Treasury securities	71,266			71,266
Investments in ARS			15,542	15,542

Investment put option related to ARS Rights			2,358	2,358
Total	$ 95,039	$	$ 17,900	$ 112,939
Amounts included in:				
Cash and cash equivalents	$ 23,773	$	$	$ 23,773
Short-term investments	71,266			71,266
Investments in ARS			15,542	15,542
Investment put option related to ARS Rights			2,358	2,358
Total	$ 95,039	$	$ 17,900	$ 112,939

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

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valuation technique used to measure fair value for Level 3 assets is an income approach, where, in most cases, the expected future cash flows are discounted back to present value for each asset, except for the investment put option related to the ARS Rights at December 31, 2009, for which the valuation was based on the Black-Scholes option pricing model and approximated the difference in value between the par value and the fair value of the associated ARS.

At December 31, 2009, the Company held approximately $15.5 million in fair value of ARS classified as short-term investments. The assets underlying the ARS were student loans which are substantially backed by the federal government. The fair value of these securities as of December 31, 2009 was estimated utilizing a discounted cash flow (DCF) model. The Company classified its ARS in the Level 3 category, as some of the inputs used in the DCF model were unobservable. The assumptions used in preparing the DCF model included estimates of interest rates, timing and amount of cash flows, credit and liquidity premiums and expected holding periods of the ARS, based on data that was available as of December 31, 2009. The significant assumptions of the DCF model were discount margins that were based on industry recognized student loan sector indices, an additional liquidity discount and an estimated term to liquidity. Other items that this analysis considered were the collateralization underlying the security investments, the creditworthiness of the counterparty and the timing of expected future cash flows. The Company s ARS were also compared, when possible, to other observable market data for securities with similar characteristics as the ARS.

As of December 31, 2010, the Company had no financial assets measured at fair value on a recurring basis using significant Level 3 inputs. As of December 31, 2009, the Company s financial assets measured at fair value on a recurring basis using significant Level 3 inputs consisted solely of the ARS and the investment put option related to the ARS Rights. The following table provides a rollforward of all assets measured at fair value using significant Level 3 inputs for the twelve months ended December 31, 2009 and 2010 (in thousands):

	ARS	Investment Put Option Related to ARS Rights
Balance as of December 31, 2008	$ 16,636	$ 3,389
Unrealized gain on ARS, included in Interest and Other, net	1,031	
Unrealized loss on the investment put option related to ARS Rights, included in Interest and Other, net		(1,031)
Sale of ARS	(2,125)	
Balance as of December 31, 2009	$ 15,542	$ 2,358
Unrealized gain on ARS, included in Interest and Other, net	2,358	
Unrealized loss on the investment put option related to ARS Rights, included in Interest and Other, net		(2,358)
Sale of ARS	(17,900)	
Balance as of December 31, 2010	$	$

The Company s equipment financing line debt is not recorded at fair value, but the Company is required to disclose its fair value. The Company determined the fair value of the equipment financing line debt using a DCF model. The major inputs to the model are expected cash flows, which equal the contractual payments, and

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borrowing rates available to the Company for similar debt as of the applicable balance sheet dates. The fair value and the carrying value of the equipment financing line debt were as follows (in thousands):

	December 31, 2010	December 31, 2009
Carrying value equipment financing line	$ 985	$ 2,601
Fair value equipment financing line	$ 947	$ 2,425

The carrying amount of the Company s loan with UBS as of December 31, 2009 approximated its fair value due to the loan s short-term nature and because the interest rate charged on the loan approximated the market rate.

The carrying amount of the Company s cash and cash equivalents, accounts receivable and accounts payable approximates fair value due to the short-term nature of these instruments.

Note 5 Balance Sheet Components

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

	December 31, 2010	2009
Property and equipment, net:		
Laboratory equipment	$ 17,130	$ 16,238
Computer equipment and software	3,098	3,699
Office equipment, furniture and fixtures	556	431
Leasehold improvements	3,313	3,293
	24,097	23,661
Less: Accumulated depreciation and amortization	(21,776)	(19,948)
	$ 2,321	$ 3,713

Property and equipment pledged as collateral against outstanding borrowings under the Company s equipment financing lines totaled $7.3 million, less accumulated depreciation of $6.5 million, at December 31, 2010, and $8.8 million, less accumulated depreciation of $6.5 million, at December 31, 2009. Depreciation expense was $1.9 million, $2.0 million and $2.5 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Accrued liabilities were as follows (in thousands):

	December 31,	
	2010	2009
Accrued liabilities:		
Clinical and pre-clinical costs	$ 2,199	$ 2,396
Consulting and professional fees	633	360
Bonus	1,408	1,902
Vacation pay	864	792
Other payroll related	104	132
Other accrued expenses	164	223
Income tax payable		130
	$ 5,372	$ 5,935

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Interest receivable on cash equivalents and investments of $285,000 and $378,000 is included in prepaid and other current assets at December 31, 2010 and 2009, respectively.

Note 6 Related Party Transactions

Research and Development Arrangements

Amgen

On December 29, 2006, the Company entered into a collaboration and option agreement with Amgen (the Amgen Agreement) 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, formerly known as CK-1827452. The Amgen Agreement provided Amgen a non-exclusive license and access to certain technology, and an option to obtain an exclusive license to omecamtiv mecarbil and related compounds worldwide, except Japan. Under the agreement, the Company received an upfront, non-refundable license and technology access fee of $42.0 million from Amgen, which the Company was recognizing as revenue ratably over the maximum term of the non-exclusive license, which was four years. Management determined that the obligations under the non-exclusive license did not meet the requirement for separate units of accounting and therefore should be recognized as a single unit of accounting.

In connection with entering into the Amgen Agreement, the Company contemporaneously entered into a common stock purchase agreement (the CSPA) with Amgen, which provided for the sale of 3,484,806 shares of the Company s common stock at a price per share of $9.47 and an aggregate purchase price of approximately $33.0 million. On January 2, 2007, the Company issued 3,484,806 shares of common stock to Amgen under the CSPA. After deducting the offering costs, the Company received net proceeds of approximately $32.9 million in January 2007. The common stock was valued using the closing price of the common stock on December 29, 2006, the last trading day of the common stock prior to issuance. The difference between the price paid by Amgen of $9.47 per share and the stock price of $7.48 per share of common stock totaled $6.9 million. This premium was recorded as deferred revenue in January 2007 and was being recognized as revenue ratably over the maximum term of the non-exclusive license granted to Amgen under the collaboration and option agreement, which was four years.

Prior to Amgen s exercise of its option, the Company conducted research and development activities at its own expense for omecamtiv mecarbil in accordance with an agreed upon plan. In May 2009, Amgen exercised its option. In connection with the exercise of the option, Amgen paid the Company a non-refundable option exercise fee of $50.0 million in June 2009. At that time, Amgen assumed responsibility for the development and commercialization of omecamtiv mecarbil and related compounds, at Amgen s expense, subject to the Company s specified development and commercial participation rights. Amgen s exclusive license extends for the life of the intellectual property that is the subject of the license, and the Company has no further performance obligations related to research and development under the program, except as defined by the annual joint research and development plans as the parties may mutually agree. Accordingly, the Company recognized the $50.0 million option exercise fee as license revenues from related parties in 2009.

Upon Amgen s exercise of the option, the Company was required to transfer all data and know-how necessary to enable Amgen to assume responsibility for development and commercialization of omecamtiv mecarbil and related

compounds. Under the Amgen Agreement, the Company may be eligible to receive 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 the annual net sales of products commercialized under the agreement. The agreement also provides for the Company to receive increased royalties by co-funding Phase III development costs of drug candidates under the collaboration. If the Company elects to co-fund such costs, it would be entitled to co-promote products in North America and participate in agreed commercial activities in institutional care settings, at Amgen s expense.

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Prior to Amgen s exercise of its option in May 2009, the Company was amortizing the 2006 non-exclusive license and technology access fee from Amgen and related stock purchase premium over the maximum term of the non-exclusive license, which was four years. The non-exclusive license period ended upon the exercise of Amgen s option in May 2009. The Company has no further performance obligations related to the non-exclusive license. Accordingly, the Company recognized as revenue the balance of the deferred Amgen revenue at the time Amgen exercised its option.

Subsequent to Amgen obtaining the exclusive license to omecamtiv mecarbil and related compounds, the Company is providing research and development support of the program, as and when agreed to by both parties. Under the Amgen Agreement, Amgen reimburses the Company for such activities at predetermined rates per FTE, and for related out of pocket expenses at cost, including purchases of clinical trial material at manufacturing cost. The FTE rates are negotiated rates that are based upon the Company s costs, and which the Company believes approximate fair value. In 2009, pursuant to the Amgen Agreement, the Company transferred to Amgen the majority of the Company s existing inventories of omecamtiv mecarbil and related reference materials. The $4.0 million purchase price for these materials was a negotiated price and represented the fair value of the materials transferred. The Company s out of pocket costs for the transferred materials were incurred and recorded as research and development expense in prior periods.

Revenue from Amgen was as follows (in thousands):

	Years Ended December 31,		
	2010	2009	2008
FTE reimbursements	$ 910	$ 2,107	$
Reimbursements of other costs	577	1,018	5
Transfer of omecamtiv mecarbil materials		4,000	
Total research and development revenues from Amgen	1,487	7,125	5
Nonrefundable option exercise fee		50,000	
Deferred license revenue recognized		24,367	12,234
Total license revenue from Amgen		74,367	12,234
Total revenue from Amgen	$ 1,487	$ 81,492	$ 12,239

In the period from August 5, 1997 (inception) through December 31, 2010, the Company has recognized as related party research and development revenues from Amgen $8.6 million of reimbursements for FTE, material transfers and other costs, and $50.0 million for performance milestone payments.

Deferred revenue and related party accounts receivable related to Amgen were as follows (in thousands):

	December 31,	December 31,

	2010	2009
Deferred revenue Amgen	$	$ 751
Related party accounts receivable Amgen	$ 41	$ 175

The deferred revenue at December 31, 2009 resulted from Amgen s prepayment of FTE reimbursements.

GSK

In 2001, the Company entered into a collaboration and license agreement with GSK (the GSK Agreement), establishing a strategic alliance to discover, develop and commercialize small molecule drugs for the treatment of cancer and other diseases. Under this agreement, GSK paid the Company an upfront license fee for rights to certain

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technologies and milestone payments regarding performance and developments within agreed-upon projects. In conjunction with these projects, GSK agreed to reimburse the Company s costs associated with the strategic alliance. In connection with the agreement, in 2001 GSK made a $14.0 million equity investment in the Company. GSK made additional equity investments in the Company in 2003 and 2004 of $3.0 million and $7.0 million, respectively. In 2001, the Company also received $14.0 million for the upfront license fee, which was recognized ratably over the initial five-year research term of the agreement.

Under the November 2006 amendment to the GSK Agreement, the Company assumed responsibility, at its expense, for the continued research, development and commercialization of inhibitors of kinesin spindle protein (KSP), including ispinesib and SB-743921, and other mitotic kinesins, other than centromere-associated protein E (CENP-E). Under the November 2006 amendment, the Company s development of ispinesib and SB-743921 were subject to GSK s option to resume responsibility for the development and commercialization of either or both drug candidates. In December 2008, GSK s option to ispinesib and SB-743921 expired. Consequently, all rights to these drug candidates remain with the Company, subject to certain royalty obligations to GSK.

In December 2009, the Company and GSK agreed to terminate the collaboration and license agreement, effective February 28, 2010. As a result, all rights for GSK-923295 reverted to the Company at that time, subject to certain royalty obligations to GSK. GSK remains responsible for all activities and costs associated with completing and reporting on the ongoing Phase I clinical trial of GSK-923295.

Revenue from GSK was as follows (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Patent expense reimbursements	$	$ 45	$ 181

The Company has recognized as related party revenue $32.5 million of reimbursements from GSK of patent, FTE and other expenses in the period from August 5, 1997 (inception) through December 31, 2010. During this period, the Company also received and recognized as revenue $8.0 million for performance milestone payments under the agreement, as no ongoing performance obligations existed with respect to this aspect of the agreement.

There were no related party accounts receivable due from GSK at December 31, 2010 or 2009.

Other

Related Party Notes Receivable

In 2001 and 2002, the Company extended loans for $200,000 and $100,000, respectively, to certain officers of the Company. The loans accrued interest at 5.18% and 5.75% and were scheduled to mature on November 12, 2010 and July 12, 2008, respectively. In 2002 the Company extended loans totaling $650,000 to various certain officers and

employees of the Company. The loans accrued interest at rates ranging from 4.88% to 5.80% and had scheduled maturities on various dates between 2005 and 2011. Certain of the loans were collateralized by the common stock of the Company owned by the officers and by stock options and were repaid in full within eighteen months after the Company s IPO date of April 29, 2004. Certain of the loans were forgiven if the officers remained with the Company through the maturation of their respective loans. As of December 31, 2010, these loans were fully repaid or forgiven. The Company has not extended any loans to officers or employees of the Company since 2002.

Activity under these loans was as follows (in thousands).

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	Years Ended December 31,		
	2010	2009	2008
Principal repayments	$	$ 30	$ 130
Principal forgiven	$ 9	$ 9	$ 47

Balances outstanding under these loans, which were classified as related party notes receivable, were as follows (in thousands):

	December 31, 2010	December 31, 2009
Notes receivable from officers	$	$ 9

Note 7 Grant Arrangements

In 2010, the National Institute of Neurological Disorders and Strokes (NINDS) awarded to the Company a $2.8 million grant to support research and development of CK-2017357 directed to the potential treatment for myasthenia gravis for a period of up to three years. 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

In November 2010, the Company was notified by the Internal Revenue Service that it would receive total cash grants of $0.7 million based on its applications for certain investments in qualified therapeutic discovery projects under Section 48D of the Internal Revenue Code. The grants related to certain research and development costs the Company incurred in 2009 in connection with its cardiac, skeletal and smooth muscle contractility programs. The Company received and recognized as grant revenue $0.7 million under this grant in 2010.

Total grant revenues were as follows (in thousands):

	Years Ended December 31,		
	2010	2009	2008
NINDS myasthenia gravis	$ 356	$	$
U.S. Treasury	734		
Total grant revenue	$ 1,090	$	$

Note 8 Equipment Financing Lines

In January 2004, the Company entered into an equipment financing agreement with GE Capital under which the Company could borrow up to $4.5 million through a line of credit expiring December 31, 2006. The Company executed draws on this line of credit totaling $2.0 million, $1.3 million and $0.9 million during 2006, 2005 and 2004, respectively, at interest rates ranging from 4.56% to 7.44%. In October 2006, the Company was informed by GE Capital that the amounts available under this equipment line had been reduced by approximately $0.3 million. As of December 31, 2010, the balance of equipment loans outstanding under this line was $30,000, and no additional borrowings are available to the Company under it.

In April 2006, the Company entered into an equipment financing agreement with GE Capital under which the Company could borrow $4.6 million through a line of credit expiring April 28, 2007. In 2007 and 2006, the Company executed draws on this line of credit totaling approximately $4.1 million at interest rates ranging from 7.24% to 7.68%. As of December 31, 2010, the balance of equipment loans outstanding under this line was $1.0 million and no additional borrowings are available to the Company under it.

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Borrowings under the equipment lines had financing terms ranging from 48 to 60 months. All lines are subject to the master security agreement between the Company and GE Capital and their respective term sheets, and are collateralized by property and equipment of the Company purchased by such borrowed funds and other collateral as agreed to be the Company. In connection with the lines of credit with GE Capital, the Company is obligated to maintain a certificate of deposit with the lender (see Note 1 Organization and Significant Accounting Policies *Restricted Cash*).

As of December 31, 2010, future minimum lease payments under equipment lease lines were as follows (in thousands):

2011	$ 833
2012	152
Total	$ 985

Total interest expense was $0.2 million, $0.4 million and $0.5 million for the years ended December 31, 2010, 2009 and 2008, respectively, and $5.3 million for the period from August 5, 1997 (date of inception) through December 31, 2010.

Note 9 Loan with UBS

In connection with the settlement with UBS AG relating to the Company s ARS, in October 2008, the Company entered into a loan agreement with UBS Bank USA and UBS Financial Services Inc. On January 5, 2009, the Company borrowed approximately $12.4 million under the loan agreement, with its ARS held in accounts with UBS Financial Services Inc. as collateral. Proceeds of sales of the ARS were first applied to repayment of the loan with the balance, if any, for the Company s account. The Company repaid the remaining balance of the loan in full during the second quarter of 2010.

Activity related to this loan was as follows (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Beginning balance	$ 10,201	$	$
Proceeds from loan		12,441	
Interest expense incurred	56	158	
Interest income from ARS applied to loan balance	(140)	(273)	
Proceeds from sales of ARS applied to loan balance	(10,117)	(2,125)	
Ending balance	$	$ 10,201	$

Note 10 Restructuring

In September 2008, the Company announced a restructuring plan to realign its workforce and operations in line with a strategic reassessment of its research and development activities and corporate objectives. The Company communicated to affected employees a plan of organizational restructuring through involuntary terminations. Pursuant to the accounting guidance for exit or disposal cost obligations, the Company recorded a charge of approximately $2.5 million in 2008. The Company had completed all restructuring activities and recognized all anticipated restructuring charges by December 31, 2009.

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The following table summarizes the accrual balances and utilization by cost type for the restructuring plan (in thousands):

	Employee Severance and Related Benefits	Impairment of Fixed Assets	Total
Restructuring liability at December 31, 2007	$	$	$
2008 charges	2,190	283	2,473
Cash payments	(1,997)		(1,997)
Non-cash settlement		(283)	(283)
Restructuring liability at December 31, 2008	$ 193	$	$ 193
2009 charges (reversals of charges)	(58)	35	(23)
Cash payments	(135)	45	(90)
Non-cash settlement		(80)	(80)
Restructuring liability at December 31, 2009 and 2010	$	$	$

Note 11 Commitments and Contingencies

Leases

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

Rent expense was as follows (in thousands):

	Years Ended December 31,			Period from August 5, 1997 (Date of Inception) to December 31,
	2010	2009	2008	2010
Rent expense	$ 2,964	$ 3,003	$ 3,039	$ 27,300

As of December 31, 2010, future minimum lease payments under noncancelable operating leases were as follows (in thousands):

2011	$ 2,950
2012	2,906
2013	2,984
2014	3,224
2015	3,331
Thereafter	8,826
Total	$ 24,221

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

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the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. The Company maintains director and officer insurance, which may cover certain liabilities arising from its obligation to indemnify its directors and certain of its officers and employees, and former officers and directors in certain circumstances. The Company maintains product liability insurance and comprehensive general liability insurance, which may cover certain liabilities arising from its indemnification obligations. It is not possible to determine the maximum potential amount of exposure under these indemnification obligations due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular indemnification obligation. Such indemnification obligations may not be subject to maximum loss clauses.

Note 12 Convertible Preferred Stock

Effective upon the closing of the initial public offering on April 29, 2004, all outstanding shares of the Company s convertible preferred stock converted into 17,062,145 shares of common stock. In January 2004, the Board of Directors approved an amendment to the Company s amended and restated certificate of incorporation changing the authorized number of shares of preferred stock to 10,000,000, effective upon the closing of the initial public offering. As of December 31, 2010 and 2009, there were 10,000,000 shares of convertible preferred stock authorized and no shares outstanding.

Note 13 Stockholders Equity (Deficit)

Common Stock

The Company s Registration Statement (SEC File No. 333-112261) for its initial public offering was declared effective by the SEC on April 29, 2004 and the Company s common stock commenced trading on the NASDAQ National Market, now the NASDAQ Global Market, on that date under the trading symbol CYTK. The Company sold 7,935,000 shares of common stock in the offering, including shares that were issued upon the full exercise by the underwriters of their over-allotment option, at $13.00 per share for aggregate gross proceeds of $103.2 million. In connection with this offering, the Company paid underwriters commissions of $7.2 million and incurred offering expenses of $2.0 million. After deducting the underwriters commissions and the offering expenses, the Company received net proceeds of approximately $94.0 million from the offering. In addition, pursuant to an agreement with an affiliate of GSK, the Company sold 538,461 shares of its common stock to GSK immediately prior to the closing of the initial public offering at a purchase price of $13.00 per share, for a total of approximately $7.0 million in net proceeds.

In October 2005, the Company entered into a committed equity financing facility (the 2005 CEFF) with Kingsbridge Capital Ltd. (Kingsbridge), pursuant to which Kingsbridge committed to purchase, subject to certain conditions of the 2005 CEFF, up to $75.0 million of the Company s newly-issued common stock during the next three years. Subject to certain conditions and limitations, from time to time under the 2005 CEFF, the Company could require Kingsbridge to purchase newly-issued shares of the Company s common stock at a price between 90% and 94% of the volume weighted average price on each trading day during an eight day, forward-looking pricing period. The maximum number of shares the Company could issue in any pricing period was the lesser of 2.5% of the Company s market capitalization immediately prior to the commencement of the pricing period or $15.0 million. The minimum acceptable volume weighted average price for determining the purchase price at which the Company s stock could be

sold in any pricing period was the greater of $3.50 or 85% of the closing price for the Company s common stock on the day prior to the commencement of the pricing period. In 2007, the Company received gross proceeds of $9.5 million from the drawdown of 2,075,177 shares of common stock pursuant to the 2005 CEFF. In 2006, the Company received gross proceeds of $17.0 million from the drawdown of 2,740,735 shares of common stock pursuant to the 2005 CEFF. In 2005, the Company received gross proceeds of $5.7 million from

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the draw down and sale of 887,576 shares of common stock before offering costs of $178,000. No further draw downs are available to the Company under the 2005 CEFF.

In January 2006, the Company entered into a stock purchase agreement with certain institutional investors relating to the issuance and sale of 5,000,000 shares of its common stock at a price of $6.60 per share, for gross offering proceeds of $33.0 million. In connection with this offering, the Company paid an advisory fee to a registered broker-dealer of $1.0 million. After deducting the advisory fee and the offering costs, the Company received net proceeds of approximately $32.0 million from the offering. The offering was made pursuant to the Company s shelf registration statement on Form S-3 (SEC File No. 333-125786) filed on June 14, 2005.

In December 2006, the Company entered into stock purchase agreements with selected institutional investors relating to the issuance and sale of 5,285,715 shares of our common stock at a price of $7.00 per share, for gross offering proceeds of $37.0 million. In connection with this offering, the Company paid placement agent fees to three registered broker-dealers totaling $1.85 million. After deducting the placement agent fees and the offering costs, the Company received net proceeds of approximately $34.9 million from the offering. The offering was made pursuant to the Company s shelf registration statements on Form S-3 (SEC File No. 333-125786) filed on June 14, 2005 and October 31, 2006 (SEC File No. 333-138306).

In connection with entering into the collaboration and option agreement, the Company also entered into a CSPA with Amgen, which provided for the sale of 3,484,806 shares of the Company s common stock at a price per share of $9.47 and an aggregate purchase price of approximately $33.0 million. On January 2, 2007, the Company issued 3,484,806 shares of common stock to Amgen under the CSPA. After deducting the offering costs, the Company received net proceeds of approximately $32.9 million in January 2007. The common stock was valued using the closing price of the common stock on December 29, 2006, the last trading day of the common stock prior to issuance. The difference between the price paid by Amgen of $9.47 per share and the stock price of $7.48 per share of common stock totaled $6.9 million. This premium was recorded as deferred revenue in January 2007 and through May 2009, was recognized as revenue ratably over the maximum term of the non-exclusive license granted to Amgen under the collaboration and option agreement, which was approximately four years.

In October 2007, the Company entered into a new committed equity financing facility (the 2007 CEFF) with Kingsbridge, pursuant to which Kingsbridge committed to finance up to $75.0 million of capital over a three-year period. In October 2010, the 2007 CEFF was amended to extend it until the first to occur of March 31, 2011 or the purchase by Kingsbridge of the maximum number of shares under the CEFF. Subject to certain conditions and limitations, including a minimum volume-weighted average price of $2.00 for the Company s common stock, from time to time under the 2007 CEFF, at the Company s election, Kingsbridge is committed to purchase newly-issued shares of the Company s common stock at a price between 90% and 94% of the volume weighted average price on each trading day during an eight day, forward-looking pricing period. The maximum number of shares the Company can issue in any pricing period is the lesser of 2.5% of its market capitalization immediately prior to the commencement of the pricing period or $15.0 million. As part of the 2007 CEFF arrangement, the Company issued a warrant to Kingsbridge to purchase 230,000 shares of the Company s common stock at a price of $7.99 per share, which represents a premium over the closing price of its common stock on the date the Company entered into the 2007 CEFF. This warrant is exercisable beginning six months after the date of grant and for a period of three years thereafter. The Company can sell a maximum of 9,779,411 shares (exclusive of the shares underlying the warrant) under the 2007 CEFF. Under the rules of the NASDAQ Stock Market LLC, this is approximately the maximum

number of shares the Company may sell to Kingsbridge without its stockholders approval. This restriction may further limit the amount of proceeds the Company is able to obtain from the 2007 CEFF. The Company is not obligated to sell any of the $75.0 million of common stock available under the 2007 CEFF and there are no minimum commitments or minimum use penalties. The 2007 CEFF does not contain any restrictions on the Company s operating activities, any automatic pricing resets or any minimum market volume restrictions. In 2009, the Company sold 3,596,728 shares of its common stock to Kingsbridge under the 2007 CEFF for gross proceeds of

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$6.9 million, before issuance costs of $98,000. In 2010, the Company sold 5,339,819 shares of its common stock to Kingsbridge under the 2007 CEFF for gross proceeds of $14.0 million, before issuance costs of $1,000. As of December 31, 2010, 842,864 shares remained available to the Company for sale under the 2007 CEFF.

In May 2009, pursuant to a registered direct equity offering, the Company entered into subscription agreements with selected institutional investors to sell an aggregate of 7,106,600 units for a price of $1.97 per unit. Each unit consisted of one share of the Company s common stock and one warrant to purchase 0.50 shares of common stock. Accordingly, a total of 7,106,600 shares of common stock and warrants to purchase 3,553,300 shares of common stock were issued and sold in this offering. The gross proceeds of the offering were $14.0 million. In connection with the offering, the Company paid placement agent fees to two registered broker-dealers totaling $0.8 million. After deducting the placement agent fees and the other offering costs, the Company received net proceeds of approximately $12.9 million from the offering. The offering was made pursuant to the Company s shelf registration statement on Form S-3 (SEC File No.: 333-155259) declared effective by the SEC on November 19, 2008. The difference of $9.7 million between the total offering proceeds of $12.9 million and the valuation of the warrants of $3.2 million was allocated to the common stock issued and was recorded as such in stockholders equity.

Warrants

The Company has issued warrants to purchase convertible preferred stock, which became exercisable for common stock upon the conversion of the outstanding shares of preferred stock into common stock in conjunction with the Company s initial public offering. In September 1998, in connection with an equipment line of credit financing, the Company issued warrants to the lender. The Company valued the warrants by using the Black-Scholes option pricing model in fiscal 1999 when the line was drawn, and the fair value of $30,000 was recorded as a discount to the debt and amortized to interest expense over the life of the equipment line. In August 2005, these warrants were exercised by the lender in a cashless exercise, yielding 13,199 shares of common stock on a net basis. In connection with a convertible preferred stock financing in August 1999, the Company issued warrants to the preferred stockholders. The warrants were valued at $467,000 using the Black-Scholes option pricing model and the value was recorded as issuance cost as an offset to convertible preferred stock. These warrants expired unexercised on August 30, 2006. In connection with an equipment line of credit, the Company issued warrants to the lender in December 1999. The value of the warrants was calculated using the Black-Scholes option pricing model and was deemed insignificant. In August 2005, these warrants were exercised by the lender in a cashless exercise, yielding 1,333 shares of common stock on a net basis.

The Company issued warrants to purchase 244,000 of common stock to Kingsbridge in connection with the 2005 CEFF. The warrants are exercisable at a price of $9.13 per share beginning six months after the date of grant and for a period of five years thereafter. The warrants were valued at $920,000 using the Black-Scholes option pricing model and the following assumptions: a contractual term of five years, risk-free interest rate of 4.3%, volatility of 67%, and the fair value of our stock price on the date of performance commitment, October 28, 2005, of $7.02. The warrant value was recorded as an issuance cost in additional paid-in capital on the initial draw down of the CEFF in December 2005. These warrants are vested and fully exercisable as of December 31, 2010.

The Company issued warrants to purchase 230,000 shares of common stock to Kingsbridge in connection with the 2007 CEFF. The warrants are exercisable at a price of $7.99 per share beginning six months after the date of grant and for a period of three years thereafter. The warrants were valued at $594,000 using the Black-Scholes option pricing

model and the following assumptions: a contractual term of three years, risk-free interest rate of 4.275%, volatility of 73%, and the fair value of the Company s stock price on the date of performance commitment, October 15, 2007, of $6.00. The warrant value was recorded as an issuance cost in additional paid-in capital on the initial draw down of the 2007 CEFF. These warrants are vested and fully exercisable as of December 31, 2010.

The Company issued warrants to purchase 3,553,300 shares of common stock to selected institutional investors in connection with the May 2009 registered direct equity offering. The initial exercise price of the warrants

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was $2.75 per share. If Amgen did not elect to exercise its option to obtain an exclusive, worldwide (excluding Japan) license to omecamtiv mecarbil for the potential treatment for heart failure by June 30, 2009, then the exercise price of the warrants would be changed to equal the volume-weighted average price of the Company s common stock for the five days prior to June 30, 2009. In such case, the exercise price of the warrants could not exceed $2.75 or be less than $1.50 per share. If Amgen did exercise its option to obtain the exclusive license, then the warrant exercise price would remain at $2.75 per share. Because Amgen exercised its option to obtain the exclusive license prior to June 30, 2009, the exercise price of the warrants remained at $2.75 per share. The warrants are exercisable from the date of issuance and for 30 months thereafter. The warrants may not be exercised by a net cash exercise without the Company s consent. Failure to maintain an effective registration statement is not considered within the Company s control, and there is no circumstance that would require the Company to net cash settle the warrant in the event the Company does not have an effective registration statement.

On the May 2009 date of issuance, the warrants were valued at $3.2 million using the Black-Scholes option pricing model, assigning probabilities to different assumed outcomes regarding whether Amgen would or would not exercise its option and obtain the exclusive license and to the resulting impact on the Company s stock price. The assumptions were as follows: a contractual term of 30 months; a risk-free interest rate of 1.16%; volatility of 89%; the fair value of the Company s common stock price on the issuance date, May 18, 2009, of $1.97 per share; a 90% probability that Amgen would obtain the exclusive license and a resulting stock price of $2.75 per share; and a 10% probability that Amgen would not obtain the exclusive license, with a resulting stock price of $1.97 per share. The assumed stock price of $2.75 upon Amgen obtaining the exclusive license approximated the per-share impact of an increase in the Company s market capitalization of $50.0 million, the amount the Company would receive from Amgen for the exclusive license. The assumed stock price of $1.97 if Amgen did not obtain the license assumed no change to the Company s market capitalization or stock price if Amgen did not obtain the exclusive license. The resulting valuation of $3.2 million for the warrants was recorded as a liability in the balance sheet on the date of issuance.

On May 21, 2009, the date that the provision for repricing of warrants lapsed when Amgen exercised its option to obtain the license, the exercise price of the warrants became known, and the warrants were re-valued at $4.8 million using the Black-Scholes option pricing model and the following assumptions: a contractual term of 30 months; a risk-free interest rate of 1.12%; volatility of 89%; the Company s enterprise value on the valuation date, May 21, 2009, factoring in the $50 million proceeds from Amgen; and the contractual warrant exercise price of $2.75. The $1.6 million difference between the original valuation of the warrants and the subsequent valuation on May 21, 2009, was charged to Interest and Other, net, in the statement of operations for 2009. The resulting valuation amount of $4.8 million for the warrants was reclassified from liabilities to additional paid-in capital in stockholders equity.

Outstanding warrants were as follows at December 31, 2010:

Number of Shares	Exercise Price	Expiration Date
244,000	$ 9.13	04/28/11
230,000	$ 7.99	04/15/11
3,553,300	$ 2.75	11/18/11

4,027,300

Stock Option Plans

2004 Plan

In January 2004, the Board of Directors adopted the 2004 Equity Incentive Plan (the 2004 Plan), which was approved by the stockholders in February 2004. The 2004 Plan provides for the granting of incentive stock options,

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nonstatutory stock options, restricted stock, stock appreciation rights, stock performance units and stock performance shares to employees, directors and consultants. Under the 2004 Plan, options may be granted at prices not lower than 100% of the fair market value of the common stock on the date of grant for nonstatutory stock options and incentive stock options and may be granted for terms of up to ten years from the date of grant. Options granted to new employees generally vest 25% after one year and monthly thereafter over a period of four years. Options granted to existing employees generally vest monthly over a period of four years. At the May 2010 Annual Meeting of Stockholders, the number of shares of common stock authorized for issuance under the 2004 Plan was increased by 2,300,000. As of December 31, 2010, 12,736,504 shares of common stock were authorized for issuance under the 2004 Plan.

1997 Plan

In 1997, the Company adopted the 1997 Stock Option/Stock Issuance Plan (the 1997 Plan). The Plan provides for the granting of stock options to employees and consultants of the Company. Options granted under the 1997 Plan may be either incentive stock options or nonstatutory stock options. Incentive stock options may be granted only to Company employees (including officers and directors who are also employees). Nonstatutory stock options may be granted to Company employees and consultants. Options under the Plan may be granted for terms of up to ten years from the date of grant as determined by the Board of Directors, provided, however, that (i) the exercise price of an incentive stock option and nonstatutory stock option shall not be less than 100% and 85% of the estimated fair market value of the shares on the date of grant, respectively, and (ii) with respect to any 10% shareholder, the exercise price of an incentive stock option or nonstatutory stock option shall not be less than 110% of the estimated fair market value of the shares on the date of grant and the term of the grant shall not exceed five years. Options may be exercisable immediately and are subject to repurchase options held by the Company which lapse over a maximum period of ten years at such times and under such conditions as determined by the Board of Directors. Options granted under the 1997 Plan generally vested over four or five years (generally 25% after one year and monthly thereafter). As of December 31, 2010, the Company had reserved 487,667 shares of common stock for issuance related to options outstanding under the 1997 Plan, and there were no shares available for future grants under the 1997 Plan.

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Activity under the two stock option plans was as follows:

	Shares Available for Grant of Option or Award	Stock Options Outstanding	Weighted Average Exercise Price per Share - Stock Options
Options authorized	1,000,000		$
Options granted	(833,194)	833,194	0.20
Options exercised		(147,625)	0.20
Options forfeited			
Balance at December 31, 1998	166,806	685,569	0.12
Increase in authorized shares	461,945		
Options granted	(582,750)	582,750	0.39
Options exercised		(287,500)	0.24
Options forfeited	50,625	(50,625)	0.20
Balance at December 31, 1999	96,626	930,194	0.25
Increase in authorized shares	1,704,227		
Options granted	(967,500)	967,500	0.58
Options exercised		(731,661)	0.27
Options forfeited	68,845	(68,845)	0.30
Balance at December 31, 2000	902,198	1,097,188	0.52
Options granted	(525,954)	525,954	1.12
Options exercised		(102,480)	0.55
Options forfeited	109,158	(109,158)	0.67
Balance at December 31, 2001	485,402	1,411,504	0.73
Increase in authorized shares	1,250,000		
Options granted	(932,612)	932,612	1.20
Options exercised		(131,189)	0.64
Options forfeited	152,326	(152,326)	0.78
Balance at December 31, 2002	955,116	2,060,601	0.95
Options granted	(613,764)	613,764	1.39
Options exercised		(380,662)	1.02
Options forfeited	49,325	(49,325)	0.89
Balance at December 31, 2003	390,677	2,244,378	1.06

Increase in authorized shares	1,600,000		
Options granted	(863,460)	863,460	7.52
Options exercised		(404,618)	1.12
Options forfeited	74,025	(58,441)	3.64
Options retired	(36,128)		
Balance at December 31, 2004	1,165,114	2,644,779	3.10
Increase in authorized shares	995,861		
Options granted	(996,115)	996,115	7.23
Options exercised		(196,703)	1.48
Options forfeited	182,567	(161,958)	5.89
Balance at December 31, 2005	1,347,427	3,282,233	4.31
Increase in authorized shares	1,039,881		
Options granted	(1,250,286)	1,250,286	7.04
Options exercised		(354,502)	1.47
Options forfeited	146,854	(145,317)	7.16
Balance at December 31, 2006	1,283,876	4,032,700	5.31
Increase in authorized shares	1,500,000		
Options granted	(1,647,570)	1,647,570	6.65
Options exercised		(259,054)	1.95
Options forfeited	360,990	(360,922)	6.94
Balance at December 31, 2007	1,497,296	5,060,294	5.80
Increase in authorized shares	3,500,000		

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	Shares Available for Grant of Option or Award	Stock Options Outstanding	Weighted Average Exercise Price per Share - Stock Options
Options granted	(1,731,594)	1,731,594	3.41
Restricted stock awards granted	(397,960)		
Options exercised		(95,796)	1.36
Options forfeited	720,876	(720,876)	5.79
Restricted stock awards forfeited	1,500		
Balance at December 31, 2008	3,590,118	5,975,216	5.18
Increase in authorized shares	2,000,000		
Options granted	(1,792,750)	1,792,750	1.91
Options exercised		(492,003)	1.19
Options forfeited	291,500	(291,500)	6.06
Restricted stock awards forfeited	9,360		
Balance at December 31, 2009	4,098,228	6,984,463	4.58
Increase in authorized shares	2,300,000		
Options granted	(2,040,737)	2,040,737	2.97
Options exercised		(176,433)	1.12
Options forfeited/expired	752,279	(752,291)	3.89
Restricted stock awards forfeited	17,925		
Balance at December 31, 2010	5,127,695	8,096,476	$ 4.32

The options outstanding and currently exercisable by exercise price at December 31, 2010 were as follows:

	Options Outstanding			Vested and Exercisable	
Range of Exercise Price	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number of Options	Weighted Average Exercise Price
$1.00 $1.75	351,128	$ 1.25	2.35	347,769	$ 1.25
$1.85	1,372,516	$ 1.85	7.95	679,187	$ 1.85

$1.86	$3.02	592,425	$	2.44	8.26	242,115	$	2.48
$3.08		1,428,842	$	3.08	9.03	302,323	$	3.08
$3.11	$3.33	153,412	$	3.19	8.55	90,468	$	3.15
$3.37		1,013,407	$	3.37	6.96	722,823	$	3.37
$3.45	$6.59	833,680	$	5.75	4.55	795,273	$	5.83
$6.61	$6.67	28,200	$	6.66	6.39	25,400	$	6.66
$6.81		911,096	$	6.81	5.92	856,691	$	6.81
$6.96	$10.12	1,411,770	$	7.81	4.46	1,409,114	$	7.81
		8,096,476	$	4.32	6.62	5,471,163	$	5.04

The weighted-average grant-date fair value of options granted during the year ended December 31, 2010 was $1.97 per share. The total intrinsic value of options exercised during the year ended December 31, 2010 was $0.3 million. The aggregate intrinsic value of options outstanding and options exercisable as of December 31, 2010 was $0.6 million and $0.5 million, respectively. The intrinsic value is calculated as the difference between the market value as of December 31, 2010 and the exercise price of shares. The market value as of December 31, 2009 was $2.09 per share as reported by NASDAQ. As of December 31, 2010 the total number of options vested and expected to vest was 7,991,673 with a weighted average exercise price of $4.34 per share, aggregate intrinsic value of $0.6 million and weighted average remaining contractual life of 6.6 years.

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As of December 31, 2009, there were 4,472,677 options outstanding, exercisable and vested at a weighted average exercise price of $5.37 per share. As of December 31, 2008, there were 3,676,233 options outstanding, exercisable and vested at a weighted average exercise price of $5.32 per share. The weighted average grant date fair value of options granted in the years ended December 31, 2009 and 2008 was $1.30 and $2.06, respectively.

Restricted stock award activity was as follows:

	Number of Shares	Weighted Average Award Date Fair Value per Share
Restricted stock awards outstanding at December 31, 2007		$
Awards granted	397,960	2.37
Awards forfeited	(1,500)	2.37
Unvested restricted stock awards outstanding at December 31, 2008	396,460	2.37
Awards released	(195,470)	2.37
Awards forfeited	(9,360)	2.37
Unvested restricted stock awards outstanding at December 31, 2009	191,630	2.37
Awards released	(173,705)	2.37
Awards forfeited	(17,925)	2.37
Unvested restricted stock awards outstanding at December 31, 2010		$

The Company measures compensation expense for restricted stock awards at fair value on the date of grant and recognizes the expense over the expected vesting period. The fair value for restricted stock awards is based on the closing price of the Company s common stock on the date of grant. Unvested restricted stock awards are subject to repurchase at no cost to the Company.

Stock-Based Compensation

Deferred Employee Stock-Based Compensation

In anticipation of its 2004 IPO, the Company determined that, for financial reporting purposes, the estimated value of its common stock was in excess of the exercise prices of its stock options. Accordingly, for stock options issued to employees prior to its IPO, the Company recorded deferred stock-based compensation and amortized the related expense on a straight line basis over the service period, which was generally four years. The Company recorded deferred employee stock compensation of $6.2 million for the period from August 5, 1997 (date of inception) through December 31, 2010. The Company recorded no deferred stock compensation during the years ended December 31,

2010, 2009 or 2008. The Company recorded amortization of deferred stock-based compensation of zero, zero and $0.3 million for the years ended December 31, 2010, 2009 and 2008, respectively, in connection with options granted to employees. The remaining balance of deferred compensation became fully amortized in 2008.

Non-employee Stock-Based Compensation

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

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There were no stock option grants to non-employees in the years ended December 31, 2010, 2009 or 2008. When terminating, if employees continue to provide service to the Company as consultants and their grants are permitted to continue to vest, the expense associated with the continued vesting of the related stock options is classified as non-employee stock compensation expense after the status change.

In connection with services rendered by non-employees, the Company recorded stock-based compensation expense of $0.1 million, $0.1 million and $27,000 in 2010, 2009 and 2008, respectively, and $1.6 million for the period from August 5, 1997 (date of inception) through December 31, 2010.

Employee Stock Purchase Plan (ESPP)

In January 2004, the Board of Directors adopted the ESPP, which was approved by the stockholders in February 2004. Under the ESPP, statutory employees may purchase common stock of the Company up to a specified maximum amount through payroll deductions. The stock is purchased semi-annually at a price equal to 85% of the fair market value at certain plan-defined dates. The Company issued 134,327, 149,996 and 164,451 shares of common stock during 2010, 2009 and 2008, respectively, pursuant to the ESPP at an average price of $1.70, $1.66 and $2.85 per share, in 2010, 2009 and 2008, respectively. At December 31, 2010 the Company had 429,314 shares of common stock reserved for issuance under the ESPP.

Note 14 Income Taxes

The Company accounts for income taxes under the liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce the deferred tax assets to the amounts expected to be realized. The Company did not record an income tax provision in the year ended December 31, 2008 because the Company had a net taxable loss in that period.

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

	Years Ended December 31,		
	2010	2009	2008
Current:			
Federal	$ (176)	$ 150	$
State			
Total	$ (176)	$ 150	$
Deferred:			
Federal	$	$	$
State			

Total	$	$	$

The Company recorded an income tax provision of $150,000 in 2009 due to alternative minimum tax (AMT). However, due to the Department of the Treasury s further guidance clarifying that utilization of the AMT net operating loss (NOL) was not limited to 90% as part of the 5-year NOL carryback provision brought about by the Worker, Homeownership, and Business Assistance Act of 2009, the 2009 AMT liability was reversed in 2010. In addition to the $150,000 benefit related to the AMT liability, The Company also recognized a $26,000 benefit related to the monetization of the federal research tax credit for a total benefit of $176,000 in 2010.

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

	As of December 31,		
	2010	2009	2008
Deferred tax assets:			
Depreciation and amortization	$ 9,151	$ 10,458	$ 11,855
Reserves and accruals	3,632	2,784	11,343
Net operating losses	121,603	103,166	104,891
Tax credits	16,249	18,632	16,511
Total deferred tax assets	150,635	135,040	144,600
Less: Valuation allowance	(150,635)	(135,040)	(144,600)
Net deferred tax assets	$	$	$

Based upon the weight of available evidence, which includes the Company s historical operating performance, reported cumulative net losses since inception and difficulty in accurately forecasting the Company s future results, the Company maintained a full valuation allowance on the net deferred tax assets as of December 31, 2010 and 2009. The valuation allowance was determined pursuant to the accounting guidance for income taxes, which requires an assessment of both positive and negative evidence when determining whether it is more likely than not that deferred tax assets are recoverable. The Company intends to maintain a full valuation allowance on the U.S. deferred tax assets until sufficient positive evidence exists to support reversal of the valuation allowance. The valuation allowance increased by $15.6 million in 2010, decreased by $9.56 million in 2009, and increased by $23.9 million in 2008.

As a result of certain realization requirements of accounting guidance for Stock Compensation, the table of deferred tax assets and liabilities shown above does not include certain deferred tax assets at December 31, 2010, 2009 and 2008 that arose directly from tax deductions related to equity compensation in excess of compensation recognized for financial reporting. Equity will be increased by $0.6 million if and when such benefits are ultimately realized and reduce taxes payable.

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

Balance at Beginning of Period	Charged to Expenses	Charged to Other Accounts	Deductions	Balance at End of Period

Year Ended December 31, 2008:				
Deferred tax valuation allowance	$	120,653	23,947	$ 144,600
Year Ended December 31, 2009:				
Deferred tax valuation allowance	$	144,600	(9,560)	$ 135,040
Year Ended December 31, 2010:				
Deferred tax valuation allowance	$	135,040	15,595	$ 150,635

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

	Years Ended December 31,		
	2010	2009	2008
Tax at federal statutory tax rate	(34)%	34%	(34)%
State income tax, net of federal tax benefit	(6)%	6%	(6)%
Research and development credits	(4)%	(8)%	(5)%
Adjustment to prior year research and development credits due to results of research and development credit study	0%	0%	0%
Adjustment due to Section 383 limitation	0%	0%	0%
Deferred tax assets (utilized) not benefited	42%	(37)%	43%
Stock-based compensation	1%	4%	2%
Warrant expense	0%	2%	0%
Total	(1)%	1%	0%

The Company had federal net operating loss carryforwards of approximately $329.7 million and state net operating loss carryforwards of approximately $174.8 million before federal benefit at December 31, 2010. If not utilized, the federal and state operating loss carryforwards will begin to expire in various amounts beginning 2020 and 2011, respectively. The net operating loss carryforwards include deductions for stock options.

The Company had research credit carryforwards of approximately $9.7 million and $9.5 million for federal and California state income tax purposes, respectively, at December 31, 2010. If not utilized, the federal carryforwards will expire in various amounts beginning in 2021. The California state credit can be carried forward indefinitely.

In general, under Section 382 of the Internal Revenue Code, a corporation that undergoes an ownership change is subject to limitations on its ability to utilize its pre-change net operating losses and tax credits to offset future taxable income. The Company s existing net operating losses and tax credits are subject to limitations arising from previous ownership changes. Future changes in the Company s stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Internal Revenue Code and result in additional limitations. During the year ended December 31, 2007, the Company conducted a study and determined that the Company would not be able to utilize a portion of its federal research credit as a result of such a restriction. Accordingly, the Company reduced its deferred tax assets and the corresponding valuation allowance by $0.8 million. As a result, the research credit amount as of December 31, 2007 reflects the restriction on the Company s ability to use the credit.

The Company follows the accounting guidance that prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Tax positions are initially recognized in the financial statements when it is more likely than not that the position will be sustained upon examination by the tax authorities. Such tax positions are initially and subsequently measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon

ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

The cumulative effect of adopting the current guidance on uncertain tax positions on January 1, 2007 resulted in no liability on the balance sheet. The total amount of unrecognized tax benefits as of the date of adoption was $3.1 million. The Company is currently not subject to income tax examinations. In general, the statute of limitations for tax liabilities for these years remains open for purpose of adjusting the amounts of the losses and credits carried forward from those years.

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

	Federal and State Tax	Federal Tax Benefit of State Income Tax UTBs	Unrecognized Income Tax Benefits - Net of Federal Benefit of State UTBs
Unrecognized tax benefits balance at January 1, 2008	$ 3,541	$ 792	$ 2,749
Reduction for tax positions of prior years			
Addition for tax positions related to the current year	694	137	557
Unrecognized tax benefits balance at December 31, 2008	$ 4,235	$ 929	$ 3,306
Addition for tax positions of prior years			
Addition for tax positions related to the current year	507	104	403
Unrecognized tax benefits balance at December 31, 2009	$ 4,742	$ 1,033	$ 3,709
Addition for tax positions of prior years	103	20	83
Addition for tax positions related to the current year	503	101	402
Unrecognized tax benefits balance at December 31, 2010	$ 5,348	$ 1,154	$ 4,149

Included in the balance of unrecognized tax benefits as of December 31, 2010, 2009 and 2008 are $4.2 million, $3.7 million and $3.3 million of tax benefits that, if recognized, would result in adjustments to other tax accounts, primarily deferred taxes.

The Company recognizes interest accrued related to unrecognized tax benefits and penalties as income tax expense. Related to the unrecognized tax benefits noted above, the Company did not accrue any penalties or interest during 2010, 2009 or 2008. The Company does not expect its unrecognized tax benefit to change materially over the next twelve months.

Note 15 Interest and Other, Net

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

	Years Ended December 31,			Period from August 5, 1997 (Date of Inception) to December 31,
	2010	2009	2008	2010
Unrealized gain (loss) on ARS (Note 3 and Note 4)	$ 2,358	$ 1,031	$ (3,389)	$
Unrealized gain (loss) on investment put options related to ARS Rights (Note 3 and Note 4)	(2,358)	(1,031)	3,389	
Warrant expense		(1,585)		(1,585)
Interest income and other income	335	593	3,196	28,868
Interest expense and other expense	(163)	(409)	(491)	(5,933)
Interest and Other, net	$ 172	$ (1,401)	$ 2,705	$ 21,350

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Investments that the Company designates as trading securities are reported at fair value, with gains or losses resulting from changes in fair value recognized in earnings and included in Interest and Other, net. The Company classified its investments in ARS as trading securities as of December 31, 2009 and 2008. The Company sold its remaining outstanding ARS on June 30, 2010, pursuant to its exercise of the ARS Rights and the transaction settled on July 1, 2010.

The Company elected to measure the investment put option related to the ARS Rights at fair value to mitigate volatility in reported earnings due to its linkage to the ARS. The Company recorded $2.4 million as the fair value of the investment put option related to the ARS Rights as of December 31, 2009, classified as a short-term asset on the balance sheet with a corresponding credit to Interest and Other, net. Changes in the fair value of the ARS are recognized in current period earnings in Interest and Other, net. The investment put option related to the ARS rights was extinguished on July 1, 2010, the settlement date of the sale of the remaining ARS.

Warrant expense for 2009 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.

Interest income and other income consists primarily of interest income generated from the Company s cash, cash equivalents and investments. Interest expense and other expense primarily consists of interest expense on borrowings under the Company s equipment financing lines and, for 2009 and the first six months of 2010, interest expense on its loan agreement with UBS Bank USA and UBS Financial Services Inc.

Note 16 Quarterly Financial Data (Unaudited)

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2010				
Total revenues	$ 621	$ 462	$ 394	$ 1,099
Net loss	(12,189)	(13,144)	(12,341)	(11,613)
Net loss per share basic and diluted	$ (0.20)	$ (0.21)	$ (0.19)	$ (0.17)
2009				
Total revenues	$ 3,078	$ 71,930	$ 5,506	$ 1,023
Net income (loss)	(10,685)	55,959	(8,202)	(12,529)
Net income (loss) per share basic	$ (0.21)	$ 0.99	$ (0.14)	$ (0.21)
Net income (loss) per share diluted	$ (0.21)	$ 0.98	$ (0.14)	$ (0.21)

Note 17 Subsequent Events

Restricted cash. In January 2011, GE Capital approved a $0.3 million reduction in the amount of the Company s certificate of deposit. (See Note 8 Equipment Financing Line and Note 1 Organization and Significant Accounting Policies *Restricted Cash.*)

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

None.

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

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

Management s Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework. Our management has concluded that, as of December 31, 2010, our internal control over financial reporting is effective based on these criteria.

Our independent registered public accounting firm, PricewaterhouseCoopers LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2010, as stated in their report, which is included herein.

Changes in Internal Control over Financial Reporting. There was no change in our internal control over financial reporting that occurred during the quarter ended December 31, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

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

None.

PART III

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

The information regarding our directors and executive officers, our director nominating process and our audit committee is incorporated by reference from our definitive Proxy Statement for our 2011 Annual Meeting of Stockholders, where it appears under the headings Board of Directors and Executive Officers.

Section 16(a) Beneficial Ownership Reporting Compliance

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

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Code of Ethics

We have adopted a Code of Ethics that applies to all directors, officers and employees of the Company. We publicize the Code of Ethics through posting the policy on our website, http://www.cytokinetics.com. We will disclose on our website any waivers of, or amendments to, our Code of Ethics.

Item 11. ***Executive Compensation***

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

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

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

The following table summarizes the securities authorized for issuance under our equity compensation plans as of December 31, 2010:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by stockholders	8,096,476	$ 4.32	5,557,009(1)
Equity compensation plans not approved by stockholders			
Total	8,096,476	$ 4.32	5,557,009

(1) Includes 429,314 shares of common stock reserved for issuance under the Employee Stock Purchase Plan.

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

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

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

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

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PART IV

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

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

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

Report of Independent Registered Public Accounting Firm

Balance Sheets

Statements of Operations

Statements of Stockholders Equity (Deficit)

Statements of Cash Flows

Notes to Financial Statements

(2) Financial Statement Schedules:

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

(3) Exhibits:

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation.(1)
3.2	Amended and Restated Bylaws.(1)
4.1	Specimen Common Stock Certificate.(2)
4.2	Warrant for the purchase of shares of common stock, dated October 28, 2005, issued by the Company to Kingsbridge Capital Limited.(3)
4.3	Registration Rights Agreement, dated October 28, 2005, by and between the Company and Kingsbridge Capital Limited.(3)
4.4	Registration Rights Agreement, dated as of December 29, 2006, by and between the Company and Amgen Inc.(4)
4.5	Warrant for the purchase of shares of common stock, dated October 15, 2007, issued by the Company to Kingsbridge Capital Limited.(5)
4.6	Registration Rights Agreement, dated October 15, 2007, by and between the Company and Kingsbridge Capital Limited.(5)
10.1	1997 Stock Option/Stock Issuance Plan.(1)
10.2	2004 Equity Incentive Plan, as amended.(20)
10.3	2004 Employee Stock Purchase Plan.(1)

10.4	Build-to-Suit Lease, dated May 27, 1997, by and between Britannia Pointe Grand Limited Partnership and Metaxen, LLC.(1)
10.5	First Amendment to Lease, dated April 13, 1998, by and between Britannia Pointe Grand Limited Partnership and Metaxen, LLC.(1)
10.6	Sublease Agreement, dated May 1, 1998, by and between the Company and Metaxen, LLC.(1)
10.7	Sublease Agreement, dated March 1, 1999, by and between Metaxen, LLC and Exelixis Pharmaceuticals, Inc.(1)
10.8	Assignment and Assumption Agreement and Consent, dated July 11, 1999, by and among Exelixis Pharmaceuticals, Metaxen, LLC, Xenova Group PLC and Britannia Pointe Grande Limited Partnership.(1)
10.9	Second Amendment to Lease, dated July 11, 1999, by and between Britannia Pointe Grand Limited Partnership and Exelixis Pharmaceuticals, Inc.(1)

Table of Contents

Exhibit Number	Description
10.10	First Amendment to Sublease Agreement, dated July 20, 1999, by and between the Company and Metaxen, LLC.(1)
10.11	Agreement and Consent, dated July 20, 1999, by and among Exelixis Pharmaceuticals, Inc., the Company and Britannia Pointe Grand Limited Partnership.(1)
10.12	Amendment to Agreement and Consent, dated July 31, 2000, by and between the Company, Exelixis, Inc., and Britannia Pointe Grande Limited Partnership.(1)
10.13	Assignment and Assumption of Lease, dated September 28, 2000, by and between the Company and Exelixis, Inc.(1)
10.14	Sublease Agreement, dated September 28, 2000, by and between the Company and Exelixis, Inc.(1)
10.15	Sublease Agreement, dated December 29, 1999, by and between the Company and COR Therapeutics, Inc.(1)
10.16	Series D Preferred Stock Purchase Agreement, dated June 20, 2001, by and between the Company and Glaxo Wellcome International B.V.(1)
10.17	Amendment No. 1 to Series D Preferred Stock Purchase Agreement, dated April 2, 2003, by and among the Company, Glaxo Wellcome International B.V. and Glaxo Group Limited.(1)
*10.18	Collaboration and License Agreement, dated June 20, 2001, by and between the Company and Glaxo Group Limited.(1)
*10.19	Memorandum, dated June 20, 2001, by and between the Company and Glaxo Group Limited.(1)
*10.20	Letter Amendment, dated October 28, 2002, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(1)
*10.21	Letter Amendment, dated November 5, 2002, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(1)
*10.22	Letter Amendment, dated December 13, 2002, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(1)
*10.23	Letter Amendment, dated July 11, 2003, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(1)
*10.24	Letter Amendment, dated July 28, 2003, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(1)
*10.25	Letter Amendment, dated July 28, 2003, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(1)
*10.26	Letter Amendment, dated July 28, 2003, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(1)
10.27	Common Stock Purchase Agreement, dated March 10, 2004, by and between the Company and Glaxo Group Limited.(24)
10.28	David J. Morgans and Sandra Morgans Promissory Note, dated May 20, 2002.(1)
*10.29	Amendment, dated September 21, 2005, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(9)
10.30	Common Stock Purchase Agreement, dated October 28, 2005, by and between the Company and Kingsbridge Capital Limited.(3)
10.31	Sublease, dated November 29, 2005, by and between the Company and Millennium Pharmaceuticals, Inc.(10)
10.32	Stock Purchase Agreement dated January 18, 2006, by and among the Company, Federated Kaufmann Fund, Red Abbey Venture Partners, LP, Red Abbey Venture Partners (QP), LP and Red Abbey CEO s Fund, LP.(11)
10.33	

	Loan Proposal, executed January 18, 2006, by and between the Company and General Electric Capital Corporation.(3)
10.34	Loan Proposal, executed March 16, 2006, by and between the Company and General Electric Capital Corporation.(12)

Table of Contents

Exhibit Number	Description
*10.35	Letter Amendment, dated June 16, 2006, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(13)
*10.36	Amendment, dated November 27, 2006, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(14)
10.37	Common Stock Purchase Agreement, dated as of December 29, 2006, by and between the Company and Amgen Inc.(4)
*10.38	Collaboration and Option Agreement, dated as of December 29, 2006, by and between the Company and Amgen Inc.(15)
*10.39	Letter Amendment, dated June 18, 2007, to Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(16)
10.40	Loan Proposal, executed August 28, 2007, by and between the Company and General Electric Capital Corporation.(17)
10.41	Common Stock Purchase Agreement, dated October 15, 2007, by and between the Company and Kingsbridge Capital Limited.(5)
*10.42	Letter Amendment, dated March 11, 2008, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(22)
*10.43	Letter Amendment, dated June 18, 2008, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(18)
10.44	Form of Indemnification Agreement between the Company and each of its directors and executive officers.(6)
*10.45	Scientific Advisory Board Consulting Agreement, dated April 1, 2008, by and between the Company and James. H. Sabry.(19)
10.46	Executive Employment Agreement, dated March 31, 2008, by and between the Company and Michael Rabson.(19)
10.47	Amended and Restated Executive Employment Agreement, dated May 21, 2007, by and between the Company and Robert Blum.(6)
10.48	Form of Executive Employment Agreement between the Company and its executive officers.(6)
*10.49	Amendment No. 1, dated June 17, 2008, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.(22)
*10.50	Amendment No. 2, dated September 30, 2008, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.(22)
10.51	Acceptance of UBS AG Settlement Offer Relating to Auction Rate Securities dated October 27, 2008.(22)
*10.52	Amendment No. 3, dated October 31, 2008, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.(22)
10.53	Credit Line Agreement, effective December 30, 2008, by and among the Company, UBS Bank USA and UBS Financial Services Inc.(22)
*10.54	Amendment No. 4, dated February 20, 2009, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.(22)
10.55	Form of Amendment No. 1 to Amended and Restated Executive Employment Agreements.(22)
10.56	Form of Subscription Agreement, dated May 18, 2009, between the Company and the investor signatories thereto.(21)
10.57	Form of Warrant, dated May 18, 2009, between the Company and the investor signatories thereto.(21)
*10.58	Letter Amendment, dated April 16, 2009, to the Collaboration and License Agreement between the Company and Glaxo Group Limited.(20)

10.59	Master Security Agreement, dated February 2, 2001, by and between the Company and General Electric Capital Corporation.(1)

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Exhibit Number	Description
10.60	Amendment No. 1, effective January 1, 2005, to Master Security Agreement by and between the Company and General Electric Capital Corporation.(20)
*10.61	Consent and Amendment No. 2, effective May 18, 2009, to Master Security Agreement by and between the Company and General Electric Capital Corporation.(20)
10.62	Cross-Collateral and Cross-Default Agreement by and between the Company and General Electric Capital Corporation.(1)
*10.63	Mutual Termination of Collaboration and License Agreement Dated June 20, 2001 between the Company and Glaxo Group Limited, dated December 4, 2009.(25)
10.64	Amendment No. 1 to Common Stock Purchase Agreement, dated October 15, 2010, by and between the Company and Kingsbridge Capital Limited.(23)
10.65	Third Amendment to Lease, dated December 10, 2010, by and between the Company and Britannia Pointe Grand Limited Partnership.
* 10.66	Amendment No. 5, dated November 1, 2011, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.
24.1	Power of Attorney (see page 114).
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of the Principal Executive Officer and the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).

(1) 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.

(2) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on May 9, 2007.

(3) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 20, 2006.

(4) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 3, 2007.

(5) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 15, 2007.

(6) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on August 5, 2008

(7) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on November 12, 2004, as amended February 16, 2005.

(8)

Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on May 12, 2005.

(9) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on November 10, 2005.

(10) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 5, 2005, as amended on December 13, 2005.

(11) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 18, 2006.

(12) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 22, 2006.

(13) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 19, 2006.

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(14) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 27, 2006.

(15) Incorporated by reference from our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 12, 2007.

(16) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 19, 2007.

(17) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 29, 2007.

(18) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 20, 2008, as amended June 20, 2008.

(19) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 2, 2008.

(20) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on August 6, 2009.

(21) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 19, 2009.

(22) Incorporated by reference from our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 12, 2009.

(23) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 26, 2010.

(24) Incorporated by reference from our Registration Statement on Form S-1/A, registration number 333-112261, filed with the Securities and Exchange Commission on March 11, 2004.

(25) Incorporated by reference from our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 11, 2010.

* 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.

(b) Exhibits

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

(c) Financial Statement Schedules

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

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SIGNATURES

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

CYTOKINETICS, INCORPORATED

By: /s/ Robert I. Blum

Robert I. Blum
President, Chief Executive Officer and Director

Dated: March 10, 2011

POWER OF ATTORNEY

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

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

Signature	Title	Date
/s/ Robert I. Blum Robert I. Blum	President, Chief Executive Officer and Director (Principal Executive Officer)	March 10, 2011
/s/ Sharon A. Barbari Sharon A. Barbari	Executive Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Executive)	March 10, 2011
/s/ L. Patrick Gage, Ph.D. L. Patrick Gage, Ph.D.	Chairman of the Board of Directors	March 10, 2011
/s/ Santo J. Costa Santo J. Costa	Director	March 10, 2011
/s/ Stephen Dow	Director	March 10, 2011

Stephen Dow		
/s/ Denise M. Gilbert, Ph.D.	Director	March 10, 2011
Denise M. Gilbert, Ph.D.		
/s/ John T. Henderson, M.B. Ch.B.	Director	March 10, 2011
John T. Henderson, M.B. Ch.B.		
/s/ James A. Spudich, Ph.D	Director	March 10, 2011
James A. Spudich, Ph.D		
/s/ Wendell Wieranga, Ph.D.	Director	March 10, 2011
Wendell Wieranga, Ph.D.		

Table of Contents

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3.1	Amended and Restated Certificate of Incorporation.(1)
3.2	Amended and Restated Bylaws.(1)
4.1	Specimen Common Stock Certificate.(2)
4.2	Warrant for the purchase of shares of common stock, dated October 28, 2005, issued by the Company to Kingsbridge Capital Limited.(3)
4.3	Registration Rights Agreement, dated October 28, 2005, by and between the Company and Kingsbridge Capital Limited.(3)
4.4	Registration Rights Agreement, dated as of December 29, 2006, by and between the Company and Amgen Inc.(4)
4.5	Warrant for the purchase of shares of common stock, dated October 15, 2007, issued by the Company to Kingsbridge Capital Limited.(5)
4.6	Registration Rights Agreement, dated October 15, 2007, by and between the Company and Kingsbridge Capital Limited.(5)
10.1	1997 Stock Option/Stock Issuance Plan.(1)
10.2	2004 Equity Incentive Plan, as amended.(20)
10.3	2004 Employee Stock Purchase Plan.(1)
10.4	Build-to-Suit Lease, dated May 27, 1997, by and between Britannia Pointe Grand Limited Partnership and Metaxen, LLC.(1)
10.5	First Amendment to Lease, dated April 13, 1998, by and between Britannia Pointe Grand Limited Partnership and Metaxen, LLC.(1)
10.6	Sublease Agreement, dated May 1, 1998, by and between the Company and Metaxen, LLC.(1)
10.7	Sublease Agreement, dated March 1, 1999, by and between Metaxen, LLC and Exelixis Pharmaceuticals, Inc.(1)
10.8	Assignment and Assumption Agreement and Consent, dated July 11, 1999, by and among Exelixis Pharmaceuticals, Metaxen, LLC, Xenova Group PLC and Britannia Pointe Grande Limited Partnership.(1)
10.9	Second Amendment to Lease, dated July 11, 1999, by and between Britannia Pointe Grand Limited Partnership and Exelixis Pharmaceuticals, Inc.(1)
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10.14	Sublease Agreement, dated September 28, 2000, by and between the Company and Exelixis, Inc.(1)
10.15	Sublease Agreement, dated December 29, 1999, by and between the Company and COR Therapeutics, Inc.(1)
10.16	Series D Preferred Stock Purchase Agreement, dated June 20, 2001, by and between the Company and Glaxo Wellcome International B.V.(1)
10.17	Amendment No. 1 to Series D Preferred Stock Purchase Agreement, dated April 2, 2003, by and among the Company, Glaxo Wellcome International B.V. and Glaxo Group Limited.(1)
*10.18	Collaboration and License Agreement, dated June 20, 2001, by and between the Company and Glaxo Group Limited.(1)

*10.19	Memorandum, dated June 20, 2001, by and between the Company and Glaxo Group Limited.(1)
*10.20	Letter Amendment, dated October 28, 2002, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(1)
*10.21	Letter Amendment, dated November 5, 2002, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(1)

Table of Contents

Exhibit Number	Description
*10.22	Letter Amendment, dated December 13, 2002, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(1)
*10.23	Letter Amendment, dated July 11, 2003, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(1)
*10.24	Letter Amendment, dated July 28, 2003, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(1)
*10.25	Letter Amendment, dated July 28, 2003, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(1)
*10.26	Letter Amendment, dated July 28, 2003, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(1)
10.27	Common Stock Purchase Agreement, dated March 10, 2004, by and between the Company and Glaxo Group Limited.(24)
10.28	David J. Morgans and Sandra Morgans Promissory Note, dated May 20, 2002.(1)
*10.29	Amendment, dated September 21, 2005, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(9)
10.30	Common Stock Purchase Agreement, dated October 28, 2005, by and between the Company and Kingsbridge Capital Limited.(3)
10.31	Sublease, dated November 29, 2005, by and between the Company and Millennium Pharmaceuticals, Inc.(10)
10.32	Stock Purchase Agreement dated January 18, 2006, by and among the Company, Federated Kaufmann Fund, Red Abbey Venture Partners, LP, Red Abbey Venture Partners (QP), LP and Red Abbey CEO s Fund, LP.(11)
10.33	Loan Proposal, executed January 18, 2006, by and between the Company and General Electric Capital Corporation.(3)
10.34	Loan Proposal, executed March 16, 2006, by and between the Company and General Electric Capital Corporation.(12)
*10.35	Letter Amendment, dated June 16, 2006, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(13)
*10.36	Amendment, dated November 27, 2006, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(14)
10.37	Common Stock Purchase Agreement, dated as of December 29, 2006, by and between the Company and Amgen Inc.(4)
*10.38	Collaboration and Option Agreement, dated as of December 29, 2006, by and between the Company and Amgen Inc.(15)
*10.39	Letter Amendment, dated June 18, 2007, to Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(16)
10.40	Loan Proposal, executed August 28, 2007, by and between the Company and General Electric Capital Corporation.(17)
10.41	Common Stock Purchase Agreement, dated October 15, 2007, by and between the Company and Kingsbridge Capital Limited.(5)
*10.42	Letter Amendment, dated March 11, 2008, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(22)
*10.43	Letter Amendment, dated June 18, 2008, to the Collaboration and License Agreement by and between the Company and Glaxo Group Limited.(18)
10.44	

	Form of Indemnification Agreement between the Company and each of its directors and executive officers.(6)
*10.45	Scientific Advisory Board Consulting Agreement, dated April 1, 2008, by and between the Company and James. H. Sabry.(19)
10.46	Executive Employment Agreement, dated March 31, 2008, by and between the Company and Michael Rabson.(19)

Table of Contents

Exhibit Number	Description
10.47	Amended and Restated Executive Employment Agreement, dated May 21, 2007, by and between the Company and Robert Blum.(6)
10.48	Form of Executive Employment Agreement between the Company and its executive officers.(6)
*10.49	Amendment No. 1, dated June 17, 2008, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.(22)
*10.50	Amendment No. 2, dated September 30, 2008, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.(22)
10.51	Acceptance of UBS AG Settlement Offer Relating to Auction Rate Securities dated October 27, 2008.(22)
*10.52	Amendment No. 3, dated October 31, 2008, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.(22)
10.53	Credit Line Agreement, effective December 30, 2008, by and among the Company, UBS Bank USA and UBS Financial Services Inc.(22)
*10.54	Amendment No. 4, dated February 20, 2009, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.(22)
10.55	Form of Amendment No. 1 to Amended and Restated Executive Employment Agreements.(22)
10.56	Form of Subscription Agreement, dated May 18, 2009, between the Company and the investor signatories thereto.(21)
10.57	Form of Warrant, dated May 18, 2009, between the Company and the investor signatories thereto.(21)
*10.58	Letter Amendment, dated April 16, 2009, to the Collaboration and License Agreement between the Company and Glaxo Group Limited.(20)
10.59	Master Security Agreement, dated February 2, 2001, by and between the Company and General Electric Capital Corporation.(1)
10.60	Amendment No. 1, effective January 1, 2005, to Master Security Agreement by and between the Company and General Electric Capital Corporation.(20)
*10.61	Consent and Amendment No. 2, effective May 18, 2009, to Master Security Agreement by and between the Company and General Electric Capital Corporation.(20)
10.62	Cross-Collateral and Cross-Default Agreement by and between the Company and General Electric Capital Corporation.(1)
*10.63	Mutual Termination of Collaboration and License Agreement Dated June 20, 2001 between the Company and Glaxo Group Limited, dated December 4, 2009.(25)
10.64	Amendment No. 1 to Common Stock Purchase Agreement, dated October 15, 2010, by and between the Company and Kingsbridge Capital Limited.(23)
10.65	Third Amendment to Lease, dated December 10, 2010, by and between the Company and Britannia Pointe Grand Limited Partnership.
* 10.66	Amendment No. 5, dated November 1, 2011, to the Collaboration and Option Agreement by and between the Company and Amgen Inc.
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.
24.1	Power of Attorney (see page 114).
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of the Principal Executive Officer and the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).

(1) 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.

(2) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on May 9, 2007.

(3) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 20, 2006.

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(4) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 3, 2007.

(5) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 15, 2007.

(6) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on August 5, 2008

(7) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on November 12, 2004, as amended February 16, 2005.

(8) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on May 12, 2005.

(9) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on November 10, 2005.

(10) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 5, 2005, as amended on December 13, 2005.

(11) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 18, 2006.

(12) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 22, 2006.

(13) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 19, 2006.

(14) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 27, 2006.

(15) Incorporated by reference from our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 12, 2007.

(16) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 19, 2007.

(17) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 29, 2007.

(18) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 20, 2008, as amended June 20, 2008.

(19) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 2, 2008.

(20) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on August 6, 2009.

(21) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 19, 2009.

(22) Incorporated by reference from our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 12, 2009.

(23) Incorporated by reference from our Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 26, 2010.

(24) Incorporated by reference from our Registration Statement on Form S-1/A, registration number 333-112261, filed with the Securities and Exchange Commission on March 11, 2004.

(25) Incorporated by reference from our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 11, 2010.

* 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.