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

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 001-36184

RELYPSA, INC.
(Exact name of registrant as specified in its charter)

100 Cardinal Way
Redwood City, CA 94063
(Address of principal executive offices) (Zip Code)

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

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 ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☒
Non-accelerated filer ☒ (do not check if a smaller reporting company) Smaller reporting company ☐

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

The aggregate market value of common stock held by non-affiliates of the registrant as of June 30, 2014 (the last business day of the registrant's most recently completed second quarter) was $464,242,623.

As of March 3, 2015, the registrant had 41,306,955 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Part III of the Annual Report on Form 10-K is incorporated by reference to the registrant’s definitive proxy statement for the registrant’s 2015 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after close of the registrant’s fiscal year ended December 31, 2014.
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This Annual Report on Form 10-K contains forward-looking statements concerning our business, operations and financial performance and condition, as well as our plans, objectives and expectations for our business operations and financial performance and condition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “aim,” “anticipate,” “assume,” “believe,” “contemplate,” “continue,” “could,” “due,” “estimate,” “expect,” “goal,” “intend,” “may,” “objective,” “plan,” “predict,” “potential,” “positioned,” “seek,” “should,” “target,” “will,” “would,” and other similar expressions that are predictions or indicate future events and future trends, or the negative of these terms or other comparable terminology. These forward-looking statements include, but are not limited to, statements regarding:

- our expectations regarding the timing of review and approval of our New Drug Application for Patiromer for Oral Suspension, or Patiromer FOS, by the United States Food and Drug Administration, or FDA;
- the potential market opportunities for commercializing Patiromer FOS;
- our expectations regarding the potential market size and the size of the patient populations for Patiromer FOS, if approved for commercial use;
- our expectations regarding the timing of submitting a Marketing Authorization Application with the European Medicines Agency;
- the FDA’s indication that it does not currently plan to convene an Advisory Committee for advice regarding our NDA;
- estimates of our expenses, future revenue, capital requirements, sufficiency of capital resources and our needs for additional financing;
- our expectations regarding the number of physicians and hospitals we plan to target;
- our expectations regarding the likelihood of regulatory approvals for Patiromer FOS;
- our expectations that sodium polystyrene sulfonate’s, or SPS’s, use as a daily treatment option over the long-term is limited;
- our ability to develop, acquire and advance product candidates into, and successfully complete, clinical trials and nonclinical testing;
- the implementation of our business model, strategic plans for our business and technology;
- our expectations regarding our future costs of goods;
- the initiation, timing, progress and results of future preclinical studies and clinical trials, and our research and development programs;
- our belief that a once-a-day study may not be required for the purpose of including once-a-day dosing in the prescribing instructions for Patiromer FOS;
- the scope of protection we are able to establish and maintain for intellectual property rights covering Patiromer FOS and our drug discovery platform technology;
- our ability to maintain and establish collaborations or obtain additional funding;
- our expectations regarding the time during which we will be an “emerging growth company” under the Jumpstart Our Business Startups Act of 2012;
- our financial performance; and
- developments and projections relating to our competitors and our industry.

These forward-looking statements are based on management’s current expectations, estimates, forecasts, and projections about our business and the industry in which we operate and management’s beliefs and assumptions and are not guarantees of future performance or development and involve known and unknown risks, uncertainties, and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this Annual Report on Form 10-K may turn out to be inaccurate. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under Item 1A. “Risk Factors” and elsewhere in this Annual Report on Form 10-K. These forward-looking statements speak only as of the date of this Annual Report on Form 10-K. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements.
Item 1. Business.

We are a biopharmaceutical company focused on the development and commercialization of non-absorbed polymeric drugs to treat disorders in the areas of renal, cardiovascular and metabolic diseases. Our lead product candidate, Patiromer for Oral Suspension, or Patiromer FOS, is for the treatment of hyperkalemia, a life-threatening condition defined as abnormally elevated levels of potassium in the blood. Our New Drug Application, or NDA, for Patiromer FOS was accepted for filing by the U.S. Food and Drug Administration, or FDA, in December 2014. The FDA has assigned a Prescription Drug User Fee Act, or PDUFA, action date of October 21, 2015 for completion of review of our NDA. The FDA has indicated it does not currently plan to convene an Advisory Committee for advice regarding our NDA.

Our NDA is supported by a clinical development program consisting of eight clinical trials: the two Phase 1 trials, four Phase 2 trials and one two-part Phase 3 trial conducted under a Special Protocol Assessment, or SPA. In our clinical program, we observed that daily administration of Patiromer FOS lowered, and maintained control of, serum potassium levels into the normal range in subjects with hyperkalemia and was well tolerated.

Hyperkalemia, which can present chronically or acutely, can lead to severe medical complications, including life-threatening cardiac arrhythmias and sudden death. Hyperkalemia is typically defined as a level of serum potassium, or potassium in the blood, greater than 5.0 milliequivalents per liter (mEq/L). Patients with serum potassium levels greater than or equal to 5.5 mEq/L, which we define as moderate-to-severe hyperkalemia, were found in an independent study to have a 10-fold increase in their mortality rate within 24 hours. Hyperkalemia occurs most frequently in patients with chronic kidney disease, or CKD, where the ability of the patient’s kidney to excrete potassium has been compromised. Treatment guidelines recommend the use of renin-angiotensin-aldosterone system, or RAAS, inhibitors, to preserve kidney function and delay the progression of renal failure to end stage renal disease, or ESRD; however, RAAS inhibitors have the well-recognized side effect of causing or worsening hyperkalemia, thereby limiting their use. In addition to CKD patients, hyperkalemia is also commonly observed in heart failure, or HF, patients, for whom RAAS inhibitors are indicated as a first-line treatment for hypertension and have demonstrated a decrease in all-cause mortality in the HF patient population.

In the U.S., the current treatment options for the chronic management of hyperkalemia are limited. These options include dietary potassium restriction, potassium-wasting diuretics or sodium polystyrene sulfonate, or SPS. SPS was first marketed in 1958 (e.g., Kayexalate®) and is currently the only drug on the market in the U.S. that is indicated for the treatment of hyperkalemia; however, it has a poor tolerability profile. SPS’ product labeling includes warnings of serious and potentially fatal gastrointestinal, or GI, side effects, and therefore we believe that its use as a long-term daily treatment option is limited.

We believe Patiromer FOS is well positioned to address the medical need for the treatment of hyperkalemia, including both chronic and acute treatments. Daily administration of Patiromer FOS was observed by us in our clinical program to lower, and maintain control of, serum potassium levels while maintaining an acceptable safety and tolerability profile. Our completed two-part pivotal Phase 3 trial was conducted under an SPA with the FDA, and met the primary and secondary endpoints for both parts of this trial, with the results being both statistically significant and clinically meaningful. In addition, we observed from our clinical trial program that Patiromer FOS was well tolerated across the trial populations, which included healthy volunteers, hemodialysis subjects, HF subjects and CKD subjects. Across all of our trials, no drug-related serious adverse events were reported, and the most commonly reported adverse events were mild-to-moderate GI symptoms. In our completed Phase 3 and Phase 2b trials, we observed that Patiromer FOS, when administered in non-dialysis CKD subjects on RAAS inhibitors:

- provided statistically significant and clinically meaningful reductions in serum potassium levels, meeting the primary efficacy endpoints in each trial;
- reduced serum potassium levels into the normal range in the substantial majority of subjects;
- significantly reduced the recurrence of hyperkalemia in subjects after serum potassium levels were controlled compared to subjects taking placebo; and
- rapidly and consistently lowered average serum potassium and sustained such reductions for up to 1 year, demonstrating the ability of Patiromer FOS to control serum potassium over the long term.

Patiromer FOS for the treatment of hyperkalemia is a high capacity potassium binding polymer with a well-established mode of action. It is administered to patients as a powder that is suspended in a small amount of water for ingestion. The active ingredient is a cross-linked polymeric bead with a calcium containing counterion. This bead is not absorbed systemically, so it remains in the GI tract and binds potassium.

If approved by the FDA, we plan to commercialize Patiromer FOS for the treatment of hyperkalemia in the U.S. with a specialty sales force targeting primarily nephrologists, cardiologists and hospitals. We also plan to submit a Marketing Authorization Application, or MAA, with the European Medicines Agency, or EMA, for Patiromer FOS in late 2015 or early 2016.
We have global royalty-free commercialization rights to Patiromer FOS, which has intellectual property protection in the U.S. until at least 2030.

Our Strategy
Our strategy is to develop and commercialize a product portfolio of novel therapeutics to treat disorders in the areas of renal, cardiovascular and metabolic diseases. The key elements of our strategy are to:

- **Obtain FDA approval to market our lead product candidate, Patiromer FOS, for the treatment of hyperkalemia.** Our NDA for Patiromer FOS was accepted for filing by the FDA in December 2014, and the FDA has assigned a PDUFA action date of October 21, 2015 for completion of review of our NDA.

- **Commercialize Patiromer FOS in the U.S.** If approved, we plan to commercialize Patiromer FOS with a U.S.-based specialty sales force focused on approximately 7,500 physician targets, primarily nephrologists and cardiologists, and approximately 700 hospitals, that treat our patient populations of interest. Many of these patients have hyperkalemia due to their compromised kidney function and/or use of RAAS inhibitors, or have a history of multiple episodes of hyperkalemia. We believe that Patiromer FOS will be a useful chronic therapy for these patients to treat their hyperkalemia, whether due to underlying CKD or the use of RAAS inhibitors.

- **Advance Patiromer FOS.** We plan to advance Patiromer FOS outside of the U.S., which may include partnering with a third party, and through effective lifecycle management activities, such as raising hyperkalemia awareness, improving patient adherence and conducting additional clinical studies.

- **Leverage our commercial and research infrastructure to create a pipeline over time.** We are building a pipeline of products using our proprietary drug discovery technology or by selectively pursuing the in-licensing or acquisition of additional compounds that would be commercially synergistic with Patiromer FOS.

Background of Potassium Regulation and Hyperkalemia

**Potassium Regulation**

Potassium is an essential dietary mineral. Potassium is essential because it is the main cation that functions both inside and outside of cells to facilitate a number of physiological actions, including membrane activation (important for the propagation of electrochemical signaling between neurons), ion and solute transport (or moving ions or solutes through the cell wall), and the regulation of cell volume. A cation is an atom that has lost one or more electrons and, as a result, has a net positive charge or an available site for sharing electrons, which allows it to bond to other atoms. Approximately 98% of potassium in the body resides inside cells, or intracellular, and about 2% of total body potassium is in the blood, or extracellular.

Potassium homeostasis in the body is achieved through a balance of absorption and excretion processes. Absorption of potassium from the diet is passive, occurring in the small intestine, while excretion of potassium is mostly a regulated active process. Since dietary potassium may vary considerably from day to day, it is necessary to increase potassium excretion when dietary potassium is high and decrease excretion when dietary potassium is low. Excretion in response to variable potassium intake is primarily handled by the kidneys, which excrete 90 to 95% of the absorbed dietary potassium, with the remaining 5 to 10% excreted in the colon. When renal function is impaired, the body adapts to reduced renal excretion of potassium by increasing the amount of colonic potassium secretion. Additionally, the elevation in the blood potassium concentration decreases the ratio of intracellular to extracellular potassium. The lowering of this ratio leads, partially, to electrical signals failing to pass through the cell membrane (cell depolarization).

**Introduction to Hyperkalemia**

Hyperkalemia is defined as a serum potassium level greater than 5.0 mEq/L, and we define moderate-to-severe hyperkalemia as a serum potassium level greater than or equal to 5.5 mEq/L. Based on our research, approximately 80% of physicians surveyed indicated that they are most likely to intervene with some form of treatment for hyperkalemia by the time serum potassium levels reach 5.5 mEq/L. Given the processes that maintain potassium balance, hyperkalemia can result from either shifts in the balance of potassium in the extracellular and intracellular fluid compartments or from decreased excretion by the kidneys. This in turn can cause muscle weakness, paralysis and life-threatening effects on cardiac conduction, along with arrhythmias, such as ventricular fibrillation, and sudden death. Because hyperkalemia can precipitate life-threatening arrhythmias, the treatment of elevated serum potassium levels represents a clinically important goal. In fact, in an independent 2009 retrospective analysis of veteran records by Einhorn et al., patients with moderate-to-severe hyperkalemia were found to have a 10-fold increase in their mortality rate within 24 hours.
Causes and risk factors for hyperkalemia include reduced renal function, diabetes, extensive soft tissue injury, age, high dietary potassium intake, and the use of medications such as RAAS inhibitors. The majority of hyperkalemia cases are precipitated by reduced potassium excretion caused by renal insufficiency and, in an independent article in the New England Journal of Medicine published in 2004, approximately three-fourths of hyperkalemia cases were associated with renal failure. In addition, while RAAS inhibitors were shown to reduce CKD progression and HF mortality in landmark clinical trials, they are particularly prone to inducing hyperkalemia.

**Importance of Treatment of CKD and HF patients with RAAS Inhibitors**

RAAS inhibitor therapy is a particularly important treatment option in patients with CKD and HF. RAAS inhibitors are a first line treatment for hypertension and to delay CKD progression under widely accepted treatment guidelines such as the National Kidney Foundation’s Kidney Disease Outcomes Quality Initiative, or KDOQI, and the American College of Cardiology and the American Heart Association, or ACC/AHA, and are recommended in the majority of patients with CKD and/or HF. RAAS inhibitors have been shown through outcomes studies to preserve kidney function and delay the time to ESRD in CKD patients and decrease all-cause mortality in HF patients. In particular, a study published in a 2001 article in the New England Journal of Medicine of type 2 diabetic patients administered the RAAS inhibitor losartan showed a 28% reduction in progression to ESRD, after an average follow up of 3.4 years, corresponding to a delay to ESRD of approximately 2 years. However, the adoption of these treatments has been limited in many cases by hyperkalemia.

In HF management, hyperkalemia also prevents usage of medications that have proven, major clinical benefit. A subset of RAAS inhibitors called aldosterone antagonists, or AAs, which includes both spironolactone and eplerenone, when added to standard HF therapy provide significantly improved cardiac outcomes in patients with class 3 and 4 HF. Both morbidity and mortality is improved with the use of AAs and they have been shown to work in the post myocardial infarction setting. In the widely cited RALES study published in the New England Journal of Medicine in 1999, severe HF patients receiving a daily 25 mg dose of spironolactone were found to have a 30% reduction in the risk of death and a 35% reduction in frequency of hospitalization for worsening heart failure, in each case, as compared to patients administered placebo over a 24-month period. The 2004 New England Journal of Medicine article also describes the increased use of spironolactone, as well as significant increases in hospitalization for hyperkalemia and mortality. The HF patients most at risk for hyperkalemic complications are those with impaired renal function.

During our market research, physicians have indicated that they are caught in the dilemma of choosing to treat their HF and CKD patients with RAAS inhibitors, thereby running the risk of causing a life-threatening hyperkalemic state or avoiding these drugs and depriving patients of the morbidity and mortality benefits RAAS inhibitors confer. To manage this dilemma, both HF and CKD guidelines developed by expert clinicians, as well as the drug labels, advise dose reduction or discontinuation of the RAAS inhibitors if a patient develops hyperkalemia. These dose modifications may limit the use of these important medications and could potentially reduce the number of patients who can benefit from them. In many cases, just the risk that hyperkalemia might develop prevents physicians from prescribing RAAS inhibitors for patients that could likely benefit from their use.

We believe hyperkalemia is the leading factor in decisions by physicians to avoid use of RAAS inhibitor therapy or to limit the dosage of RAAS inhibitor medication to a sub-optimal level. Based on our market research, we believe that the majority of patients seen by a nephrologist or cardiologist in the U.S. for whom a RAAS inhibitor is indicated are not receiving any RAAS inhibitor therapy or are receiving sub-optimal doses of RAAS inhibitor therapy.
The table below outlines selected hyperkalemia statements and warnings on the labels of certain well-known RAAS inhibitors:

<table>
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<th>2012 U.S. Retail Total Prescriptions</th>
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<td><strong>Aldosterone Antagonists (AAs)</strong></td>
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<td>Spironolactone</td>
<td>11.3 million</td>
<td>Aldactone ® Label: Hyperkalemia may be fatal. It is critical to monitor and manage serum potassium in patients with severe heart failure receiving Aldactone. Discontinue or interrupt treatment for serum potassium greater than 5 mEq/L.</td>
</tr>
<tr>
<td>Eplerenone</td>
<td>0.3 million</td>
<td>Inspra ® Label: Serum potassium should be measured before initiating Inspira therapy, within the first week, and at one month after the start of treatment or dose adjustment. Serum potassium should be assessed periodically thereafter. Decrease Inspira dosage if serum potassium is 5.5 to 5.9 mEq/L. Withhold Inspira treatment if serum potassium is greater than or equal to 6.0 mEq/L.</td>
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<td><strong>Angiotensin-Converting-Enzyme Inhibitors (ACE Inhibitors)</strong></td>
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<td>Enalapril</td>
<td>11.2 million</td>
<td>Vasotec ® /Accupril ® Label: Risk factors for the development of hyperkalemia include renal insufficiency, diabetes mellitus, and the concomitant use of potassium-sparing diuretics ², potassium supplements and/or potassium-containing salt substitutes, which should be used cautiously, if at all, with Vasotec/Accupril.</td>
</tr>
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<td>Quinapril</td>
<td>4.2 million</td>
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<td><strong>Angiotensin Receptor Blockers (ARBs)</strong></td>
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<td>Irbesartan</td>
<td>3.0 million</td>
<td>Avapro ® Label: In one study of 1,715 patients with type 2 diabetes, hypertension and nephropathy, the percent of patients with hyperkalemia (serum potassium greater than 6 mEq/L) was 18.6% in the Avapro group versus 6.0% in the placebo group.</td>
</tr>
<tr>
<td>Telmisartan</td>
<td>1.8 million</td>
<td>Micards ® Label: Hyperkalemia may occur in patients on ARBs, particularly in patients with advanced renal impairment, heart failure, on renal replacement therapy, or on potassium supplements, potassium-sparing diuretics ¹, potassium-containing salt substitutes or other drugs that increase potassium levels. Consider periodic determinations of serum electrolytes, particularly in patients at risk.</td>
</tr>
<tr>
<td>Losartan</td>
<td>27.1 million</td>
<td>Cozaar ® Label: Electrolyte imbalances are common in patients with renal impairment, with or without diabetes, and should be addressed. In a clinical study conducted in type 2 diabetic patients with proteinuria, the incidence of hyperkalemia was higher in the group treated with losartan potassium tablets as compared to the placebo group; however, few patients discontinued therapy due to hyperkalemia.</td>
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(1)  As of February 2015.

(2)  Examples of potassium-sparing diuretics include spironolactone and eplerenone.

**Limitations of Current Treatment Options for Hyperkalemia**

In the U.S., current treatment options for the chronic management of hyperkalemia are limited. These options include dietary potassium restriction, potassium-wasting diuretics or SPS. Dietary potassium restriction is difficult due to the ubiquitous presence of potassium in foods. Because fat, carbohydrates (in diabetics), sodium and phosphorus tend to be restricted in CKD patients, the addition of a potassium restriction severely limits food options for these patients, which results in significant patient compliance issues. Diuretics, a mainstay for managing sodium, water balance and hypertension, are highly efficient at removing potassium in patients with normal renal function; however, the effectiveness of these drugs is greatly diminished in patients with CKD. SPS drugs are currently the only drugs approved by the FDA for the treatment of hyperkalemia; however, their product labeling calls attention to serious and potentially fatal GI effects.

SPS’ product labeling includes warnings of serious and potentially fatal GI side effects, such as intestinal necrosis and GI bleeding and perforation. Certain publications in the medical and scientific literature indicate that SPS may not adequately lower serum potassium levels unless administered with sufficient amounts of sorbitol to induce diarrhea. However, SPS’ product labeling warns against concurrent use of sorbitol due to the increased risk of these serious GI side effects. Furthermore, intestinal re-absorption of sodium during SPS treatment can aggravate hypertension and fluid retention.

The discontinuation or reduction in the dose of RAAS inhibitors, which are indicated for renal and cardiovascular outcome benefits in CKD and HF patients, is common for patients who show abnormally elevated serum potassium levels.
Our Product Candidate: Patiromer FOS

Patiromer is a non-absorbed, potassium-binding polymer being developed for the treatment of hyperkalemia. Patiromer is formulated as a dry, odorless powder that is filled into packets, a well-established configuration for the dosing of polymer drugs, and is easily suspendable in small amounts of water. Patiromer is designed for the binding and removal of potassium from the GI tract, particularly the colon.

We are developing Patiromer FOS to be administered orally twice a day at daily doses ranging from 8.4 grams to 50.4 grams, with the starting doses for the Phase 3 program at 8.4 grams/day for patients with a serum potassium level at baseline in the range of 5.1 to 5.5 mEq/L and 16.8 grams/day for patients with a serum potassium level at baseline above 5.5 mEq/L. In addition, based on recent feedback from the FDA, we believe that a QD study may not be required for the purpose of including QD dosing in the prescribing instructions for Patiromer FOS. We will seek to clarify our belief with the FDA and may decide to conduct clinical studies utilizing a QD dosing regimen even in the event the FDA confirms that it is not required for the product label. The FDA could change its position and require further studies to support inclusion of QD dosing in the product label for Patiromer FOS.

We have designed Patiromer FOS to efficiently bind and remove potassium secreted into the colonic lumen to reduce serum potassium levels, thereby treating hyperkalemia. Patiromer is insoluble in typical solvents and passes through the GI tract without degradation. Based on in vitro studies, Patiromer FOS has approximately twice the total potassium binding capacity of SPS. Unlike SPS, the exchange cation for Patiromer FOS is not sodium, thereby removing risks related to fluid retention or hypertension caused by sodium. Moreover, Patiromer FOS does not require co-administration with a laxative, which may lead to better GI tolerability compared to SPS. The following graphic illustrates the binding and removal of potassium by Patiromer FOS:

Patiromer FOS is substantially in a spherical bead form, having an average diameter of about 100 micrometers, which is too large to be absorbed into the body. As a bead, Patiromer FOS has good bulk flow properties, with a lower viscosity and higher yield stress than polymeric drugs that are made as a bulk to be ground into a powder, such as SPS. We believe the flow properties of Patiromer FOS lead to fewer GI tract adverse events.
We believe Patiromer FOS is well-positioned to address unmet medical needs and achieve commercial success:

1) **Patiromer FOS, if approved, will allow rapid onset of serum potassium-lowering action and provide predictable and sustained potassium control, enabling use in acute and chronic treatment settings.** Patiromer FOS was observed to have an onset of serum potassium-lowering action within hours and to sustain serum potassium control in patients for up to 12 months. In Part A of our two-part pivotal Phase 3 trial and in the treatment initiation phase of our Phase 2b trial, our key observations were that Patiromer FOS, when administered in predialysis CKD subjects on RAAS inhibitors, provided statistically significant and clinically meaningful reductions in serum potassium levels (p<0.001 in both trials), meeting the primary efficacy endpoints in each trial. Data from both our Phase 2b trial and Part A of our pivotal Phase 3 trial showed that 86-90% and 76% of subjects had their serum potassium in the normal range at Week 52 and Week 4, respectively. In addition, statistically significant data from Part B of our Phase 3 trial showed that when Patiromer FOS was withdrawn after having controlled serum potassium in Part A, significantly more placebo subjects than Patiromer FOS subjects developed recurrent hyperkalemia. These positive results from the second part of the Phase 3 trial support the need for long term chronic treatment in patients where the underlying cause of hyperkalemia, such as CKD, is persistent and progressive. The efficacy, safety and tolerability data from the 1-year Phase 2b trial demonstrate that, if approved, Patiromer FOS may be a suitable long-term chronic option to treat and maintain control of hyperkalemia.

2) **Patiromer FOS, if approved, would be the first drug approved for the treatment of hyperkalemia with a tolerability profile that enables chronic daily administration over the long term.** Patiromer FOS was observed to have an acceptable safety profile and was well tolerated over the 52 week-treatment period. Across the clinical trials, the most commonly reported adverse event was constipation (7%), which was mostly mild (5%) to moderate (2%) with no severe events and a very low discontinuation rate. No serious adverse events were assessed as related to Patiromer FOS. In contrast, the product labels of existing potassium-binding treatment options, such as SPS, include warnings of severe GI side effects which can be fatal and include GI necrosis, bleeding and perforation. In addition to the GI side effects warning, the product labels of SPS also state that caution should be exercised when SPS is administered to patients who cannot tolerate even a small increase in sodium loads (i.e., patients with severe congestive heart failure, severe hypertension or marked edema). Because Patiromer FOS does not use sodium as a counterion, the risk of introducing a sodium load and the resulting fluid retention and edema should not occur. Additionally, the positive Phase 3 results are supported by results from the 52-week Phase 2b trial, which also demonstrated statistically significant and clinically meaningful reductions in serum potassium at 4 weeks, with 86-90% of subjects having their serum potassium in the normal range at week 52, demonstrating the ability of Patiromer FOS to control serum potassium over the long term.

3) **Patiromer FOS was studied in subjects with clinically relevant hyperkalemia.** All subjects in the treatment trials for Patiromer FOS had CKD and were receiving RAAS inhibitor therapy, which is known to raise serum potassium levels. In addition, a large proportion of subjects had heart failure, diabetes, hypertension or existing cardiovascular disease, 60% were elderly and 45% had a baseline serum potassium greater than or equal to 5.5mEq/L.

**Commercial Opportunity for Patiromer FOS**

We believe a significant commercial opportunity exists for Patiromer FOS. We estimate that there are approximately 3 million patients with CKD stage 3 or 4 and/or heart failure with hyperkalemia in the U.S. We plan to initially market Patiromer FOS in the U.S. to approximately 7,500 physician targets and 700 hospitals that treat patients in one or more of the following categories:

- **Patients with existing moderate-to-severe hyperkalemia.** Many CKD and HF patients with moderate-to-severe hyperkalemia are being treated with RAAS inhibitors due to their benefits for such patients. Based on our market research, approximately 80% of physicians surveyed indicated that they are likely to intervene with some form of treatment for hyperkalemia by the time a patient’s serum potassium level reaches 5.5 mEq/L. Accordingly, we view these patients as a readily identifiable initial patient population who could be prescribed Patiromer FOS, if approved.

- **Patients with existing mild hyperkalemia.** While physicians surveyed indicated that they are most likely to intervene with a treatment for hyperkalemia when a patient has a serum potassium level of greater than or equal to 5.5 mEq/L, approximately 40% of these physicians indicated that they would likely intervene with a treatment for hyperkalemia at a serum potassium level of between 5.0 to 5.5 mEq/L, which we define as mild hyperkalemia. We believe that a safe, effective and well-tolerated daily use chronic therapy such as Patiromer FOS would be useful for patients in this category, in particular for those patients who have a history of recurrent episodes of hyperkalemia.
Patients not currently taking a RAAS inhibitor or who have had their RAAS inhibitor dose reduced to address their hyperkalemia. There are approximately 15.4 million stage 3 or 4 CKD patients and 2.3 million non-CKD HF patients in the U.S. We believe that 60% to 70% of these patients are treated by a nephrologist or cardiologist, and that the majority of these patients currently are not receiving RAAS inhibitors, or are receiving sub-optimal RAAS inhibitor dosing, in part because they have developed hyperkalemia from these treatments. As current CKD and HF treatment guidelines recommend the use of RAAS inhibitors to preserve kidney function in CKD patients and decrease all-cause mortality in HF patients, we believe that, with the introduction of a safe, effective and well-tolerated daily use chronic treatment option for hyperkalemia, physicians may increase their RAAS inhibitor usage in patients who have hyperkalemia by either maintaining their RAAS inhibitor therapy, increasing the doses of their RAAS inhibitor where indicated or by reintroducing RAAS inhibitor medications. Our market research indicates that for about 90% of nephrologists, hyperkalemia is the top concern with RAAS inhibitor therapy, and that about 90% of specialist physicians would use a drug with Patiromer FOS’s clinical profile in this type of patient. We believe that Patiromer FOS would provide physicians with an important tool to treat such hyperkalemia in this patient population.

Patients with CKD stage 3 or 4 and/or HF will often present to a nephrologist or cardiologist for their renal and cardiovascular care. If Patiromer FOS is approved by the FDA, we plan to hire a specialty sales force to focus on the approximately 7,500 physician targets and 700 hospitals for Patiromer FOS. In addition to our sales force, our commercial organization will further be supported by a marketing team and a market access team covering managed care and trade and distribution customers.

We believe there are opportunities for expanding Patiromer FOS usage beyond physician specialists in the U.S., including as follows:

- **Treating patients in the U.S. who are outside of specialty care.** Although our initial marketing effort will be focused primarily on a specialty audience, we are aware that a significant number of patients with hyperkalemia are under the care of primary care physicians.
- **Clinical need outside of the U.S.** The need for a chronic and better hyperkalemia treatment is not exclusive to the U.S. We are currently in the process of evaluating the opportunities for Patiromer FOS outside the U.S., which may include partnering with a third party to develop and commercialize Patiromer FOS outside of the U.S.

**Clinical Development Program for Patiromer FOS**

**Clinical Overview**

Our clinical development program for Patiromer FOS consisted of eight clinical trials: three Phase 1 trials, four Phase 2 trials and one two-part Phase 3 trial conducted under a SPA in which each part (Part A and Part B) serve as one of two pivotal trials required for our NDA. A total of 791 subjects participated in the eight clinical trials, 734 of whom received any dose of Patiromer FOS, including subjects with hyperkalemia, CKD, HF, diabetes, hypertension and/or patients who were receiving dialysis or were using RAAS inhibitor medication and healthy volunteers. The primary objectives of our clinical development program for Patiromer FOS are summarized below:

- Demonstrate safety and patient tolerability, particularly in repeated and long-term use.
- Evaluate safety and efficacy in subjects with hyperkalemia in the clinical setting, primarily chronic kidney disease (CKD) and heart failure with concurrent use of RAAS inhibition.
- Demonstrate a clinical meaningful full reduction in serum potassium to levels within the normal range.
  - The onset of action should occur early after treatment initiation in both acute and chronic settings.
  - Efficacy with continued treatment should be durable and sustained to provide long-term treatment in patients with hyperkalemia due to uncontrolled RAAS inhibition that are chronically ill.
- Demonstrate safety and tolerability, particularly in repeated and long-term use.
Five of the eight clinical trials (three treatment trials and two prevention trials) comprise the core safety and efficacy evaluation of Patiromer FOS. Treatment duration ranged from 48 hours to 1 year. The onset of action was shown to be 7 hours and efficacy was persistent with continued dosing through at least 52 weeks, supporting the utility of Patiromer FOS as a treatment for both acute and chronic hyperkalemia. Dosing and dose titration were well characterized in these trials. Across these five clinical trials, Patiromer FOS demonstrated a consistent and reproducible potassium lowering effect which enabled the majority of subjects to reach and/or remain in the target range with a low risk of hypokalemia. The lowest starting doses which were evaluated in subjects with mild hyperkalemia and in those with moderate to severe hyperkalemia were associated with statistically significant and clinically meaningful decreases in serum potassium levels, which were similar to those observed for higher starting doses. The ability to titrate Patiromer FOS provides the prescribing clinician flexibility to individualize dosing to achieve larger or smaller potassium reductions in response to changes in the patient’s serum potassium levels and underlying clinical state. The early onset of action together with the persistence of effect over the long term provide the necessary clinical data to support the effective use of Patiromer FOS for the treatment of hyperkalemia in both acute and chronic clinical settings.

Three key attributes of Patiromer FOS are important to note when assessing the safety of the product drug. First, patiromer is a nonabsorbed, cation-exchange polymer. The nonabsorbable nature of the polymer and its lack of systemic bioavailability were demonstrated in nonclinical studies evaluating absorption and distribution. Second, the main pharmacological effect of the drug is to bind potassium locally in the GI tract. This effect occurs predominantly in the lumen of the colon, where the concentration of potassium in the lumen is the highest, and leads to an increase in fecal potassium excretion, removal of potassium from the body and a lowering of serum potassium levels. Third, unlike SPS, the cation counterion in Patiromer FOS is not sodium. Thus the risk associated with introducing a sodium load to patients with underlying heart failure, kidney disease, hypertension or patients with edema should not occur. These product attributes informed the size and design of the clinical program and ultimately the assessment of safety of Patiromer FOS for the treatment of hyperkalemia.

Overall, the drug appeared to be well-tolerated for short and long periods of treatment in patients with underlying CKD, diabetes and/or HF, a population with a high burden of comorbidities and high prevalence of hyperkalemia. The most common adverse event reported in the overall safety population was constipation (7%, all mild to moderate). Importantly, the tolerability of Patiromer FOS in subjects with hyperkalemia is underscored by the fact that a high proportion of subjects were able to remain on treatment for extended periods of time as observed in the Phase 2b 52-week trial. Other adverse events of interest that occurred in the safety population receiving Patiromer FOS included cardiac related disorders, renal events and hypertension, however these findings are more likely related to underlying comorbid conditions, concomitant medications, intercurrent illnesses and progression of these comorbid diseases than a drug related effect. Deaths that occurred in the trial were predominantly cardiovascular in nature, were assessed to be unrelated to study drug and were attributed to underlying cardiovascular conditions or risk factors. No deaths in the trial had pre-existing study potassium or magnesium values below the normal range. In all of our trials, there have been 19 deaths in those who received Patiromer FOS, which is not unexpected in view of the morbidity and mortality for the patient populations in our trials. The safety profile assessed in the clinical development program for Patiromer FOS indicates a drug that is well tolerated and has a low incidence and mild severity of drug-related adverse events. Given the risks associated with hyperkalemia such as fatal cardiac arrhythmias, we believe the safety profile of Patiromer FOS supports a favorable benefit risk profile for the treatment of hyperkalemia in multiple clinical settings.

We have also monitored a number of possible adverse effects related to the use of Patiromer FOS, including: low serum potassium levels (hypokalemia), undesired changes in the serum concentration of other cations or molecules, and other clinically meaningful changes to subjects. Across our clinical trials, hypokalemia, which we define as a serum potassium level less than 3.5 mEq/L, occurred in 4.7% of all subjects, with no subject developing a serum potassium less than 3.0 mEq/L. Among other molecules and ions, we have evaluated possible changes in serum sodium, serum calcium, serum magnesium, serum phosphorus, and serum fluoride. Our clinical trials have shown no clinically significant effect of Patiromer FOS treatment on serum sodium, calcium or phosphorus levels. In addition, small mean reduction in serum magnesium level was seen within the first two weeks of treatment, which remained stable thereafter, and without symptoms being observed. While some subjects have developed a small increase in serum fluoride, such levels have not accumulated and we have not observed any acute serum fluoride toxicity symptoms in our clinical trials.
Our eight clinical trials are summarized in the table below. In addition to these completed trials, we plan to initiate future clinical trials to further study the treatment of hyperkalemia with Patiromer FOS.

<table>
<thead>
<tr>
<th>Trial</th>
<th>Subjects (active/placebo)</th>
<th>Objectives</th>
<th>Status</th>
<th>Selected Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Phase 1 Trials</strong></td>
<td></td>
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<tr>
<td>RLY5016-101</td>
<td>33 (25/8)</td>
<td>Safety and tolerability of single and multiple doses of Patiromer FOS. Effects on urinary and fecal potassium excretion.</td>
<td>Completed</td>
<td>• Significant dose-dependent increase in fecal potassium excretion at doses of 15–60 grams/day compared with placebo.</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>• Corresponding decrease in urinary potassium excretion.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Well-tolerated.</td>
</tr>
<tr>
<td>RLY5016-102</td>
<td>12 (12/0)</td>
<td>Pharmacological activity/safety of TID, BID and QD dosing of Patiromer FOS.</td>
<td>Completed</td>
<td>• Significant increase in fecal potassium excretion and a concomitant decrease in urinary potassium excretion across the QD/BID/TID dosing regimen.</td>
</tr>
<tr>
<td>RLY5016-103</td>
<td>15 (15/0)</td>
<td>Time to onset of potassium-lowering action in subjects with CKD and hyperkalemia.</td>
<td>Completed</td>
<td>• Met primary endpoint: Rapid onset of action with around the clock sustained lowering of serum potassium, with statistically significant decrease from baseline in hours.</td>
</tr>
<tr>
<td><strong>Phase 2a Proof-of-Concept Trial</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RLY5016-201</td>
<td>6 (6/0)</td>
<td>Efficacy/safety of a fixed-dose of Patiromer FOS in subjects with hyperkalemia despite receiving hemodialysis 3 times weekly.</td>
<td>Completed</td>
<td>• Patiromer was pharmacologically active in reducing serum potassium levels and was well-tolerated.</td>
</tr>
<tr>
<td><strong>Phase 2 Prevention Trials</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RLY5016-202 (PEARL-HF)</td>
<td>105 (56/49)</td>
<td>Efficacy/safety in preventing hyperkalemia in HF patients on a RAAS inhibitor.</td>
<td>Completed</td>
<td>• Statistically significant difference in mean serum potassium levels for those subjects on Patiromer FOS versus placebo.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Patiromer reduced incidence of hyperkalemia.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• A significantly greater percentage of HF subjects on Patiromer FOS were able to increase the dose of the spironolactone compared to subjects on placebo.</td>
</tr>
<tr>
<td>RLY5016-204</td>
<td>63 (63/0)</td>
<td>Efficacy/safety of a titration regimen in preventing hyperkalemia in subjects with HF and CKD on a RAAS inhibitor.</td>
<td>Completed</td>
<td>• When titrated, Patiromer FOS provided reliable control of serum potassium levels in over 90% of subjects.</td>
</tr>
</tbody>
</table>
In the discussion of our clinical trials below, references to dosing correspond to the actual dosing regimen utilized in the respective trials. Patiromer FOS is currently administered according to the amount of polymer anion, which is the active form. Prior to our pivotal Phase 3 trial, we utilized a different nomenclature describing the dosing of subjects based on the amount of polymer anion plus calcium. Accordingly, an 8.4 gram dose of Patiromer FOS in the pivotal Phase 3 trial and our Phase 1 trial is equivalent to a 10 gram dose in our prior clinical trials.

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<th>Selected Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Phase 2b Treatment Trial</strong></td>
<td>RLY5016-205 (AMETHYST-DN) 306 (306/0)</td>
<td>• Efficacy/safety in treating hyperkalemia in CKD patients. • Determination of starting dose. • Long-term safety in chronic treatment.</td>
<td>Completed</td>
<td>Treatment Initiation Period: • Met primary endpoint, statistically significant reduction in mean serum potassium at week 4. Long-term Maintenance Period: • Significant majority of subjects in normal range at 52 weeks.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Pivotal Phase 3 Trial</td>
<td>RY5016-301</td>
</tr>
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</table>

In the discussion of our clinical trials below, references to dosing correspond to the actual dosing regimen utilized in the respective trials. Patiromer FOS is currently administered according to the amount of polymer anion, which is the active form. Prior to our pivotal Phase 3 trial, we utilized a different nomenclature describing the dosing of subjects based on the amount of polymer anion plus calcium. Accordingly, an 8.4 gram dose of Patiromer FOS in the pivotal Phase 3 trial and our Phase 1 trial is equivalent to a 10 gram dose in our prior clinical trials.

**Phase 1 Trials**

- **RLY5016-101**: In this first trial, healthy volunteers received either a fixed dose of Patiromer FOS or placebo. The primary trial objective was to assess the safety and tolerability of single and multiple doses of Patiromer FOS. The secondary objective was to assess the effects of Patiromer FOS on urinary and fecal potassium excretion. This trial demonstrated that administration of Patiromer FOS resulted in a significant, dose-dependent, increase in fecal potassium excretion at doses of 15 to 60 grams/day compared with placebo, with a corresponding decrease in urinary potassium excretion. As expected for individuals with normal renal function, there was no change in serum potassium levels. This was the first study of Patiromer FOS to be conducted in humans. These dose responsive increases in fecal potassium and decreases in urinary potassium excretion provided a clear indication for the first time that Patiromer FOS was pharmacologically active. Single and multiple dose (up to three times a day) administration of Patiromer FOS was well-tolerated.

- **RLY5016-102**: In this second Phase 1 trial, healthy volunteers were administered a daily dose of 30 grams of Patiromer FOS, either once a day (QD), twice a day (BID) or three times a day (TID), in order to assess the pharmacologic effects of different dosing regimens of Patiromer FOS on fecal and urinary potassium excretion. The results demonstrated a significant increase in fecal potassium excretion and a concomitant decrease in urinary potassium excretion across the QD/BID/TID dosing regimens, indicating these are appropriate dosing intervals for administration of Patiromer FOS. Patiromer was well tolerated by all subjects.
In this third Phase 1 trial, an open-label, single arm trial that enrolled 25 patients. This trial was designed to evaluate the time-to-onset of the potassium-lowering action of Patiromer FOS in patients with hyperkalemia. The trial design included a three-day run-in period to control the dietary intake of potassium followed by a 48-hour treatment period and a 7-day post-treatment safety follow-up period. The change from baseline in serum potassium levels is assessed at multiple time points during the 48-hour treatment period. Patients enrolled in this trial had moderate to severe HK (with a mean serum potassium at baseline of almost 6.0 mEq/L).

Reductions in serum potassium were observed at the first blood draw after the first dose (4 hours), and statistically significant reductions were first observed at the next blood draw (7 hours) and at all subsequent time points throughout the 48-hour period. At 48 hours, the change from baseline in serum potassium was -0.8 mEq/L and serum potassium was reduced from a high of 5.93 mEq/L at baseline to < 5.5 mEq/L in less than 24 hours.

**Phase 2a Proof-of-Concept Trial**

- **RLY5016-201**: This proof-of-concept trial was an open-label, multiple-dose trial in 6 hemodialysis subjects with serum potassium levels greater than or equal to 5.5 mEq/L, despite receiving hemodialysis 3 times weekly. This was the first trial to be conducted after the completion of the initial Phase 1 trial in healthy volunteers, and showed that Patiromer FOS was pharmacologically active and was well tolerated in patients with impaired renal function.

**Phase 2 Prevention Trials**

- **RLY5016-202 (PEARL-HF)**: This was a placebo controlled prevention trial in normokalemic subjects with HF with or without CKD. The objective of the trial was to demonstrate that, compared to placebo, a fixed daily dose of 30 grams of Patiromer FOS would prevent more subjects from developing hyperkalemia despite the use of higher doses of a RAAS inhibitor, specifically, the aldosterone antagonist, spironolactone. Entry criteria included a requirement that subjects have a normal serum potassium level at screening and baseline and that subjects either had an estimated GFR less than 60 mL/minute, the onset of Stage 3 CKD, and/or had a history of hyperkalemia that led to discontinuation of a RAAS inhibitor or beta-blocker therapy. Randomized subjects were treated for four weeks. In the trial, the fixed dose of Patiromer FOS compared with placebo significantly reduced mean serum potassium levels within 48 hours, prevented hyperkalemia, and allowed a significantly greater percentage of HF subjects to increase the dose of spironolactone. The statistically significant difference between groups in serum potassium level was sustained throughout the trial despite the fact that subjects treated with Patiromer FOS received a higher mean dose of spironolactone compared with placebo. Spironolactone doses were able to be increased in significantly more Patiromer FOS-treated subjects than placebo: 91% vs. 74%, respectively (p=0.019).

The incidence of adverse events was higher in Patiromer FOS-treated subjects than in placebo-treated patients, the majority of which were GI symptoms. Adverse events were generally mild or moderate with one subject reporting severe flatulence. Serious adverse events were reported in 4 subjects, 2 in each treatment group, and all such events were assessed by the study investigators and by us as not related to the study drug. In general, there were no clinically meaningful treatment-related changes in most laboratory parameters. Hypokalemia (defined in this trial as a serum potassium level less than 3.5 mEq/L) occurred in 4 subjects (7%), none of whom had any complications related to hypokalemia. In addition to changes in serum potassium levels described earlier, there was a small decrease in the average serum magnesium levels in the Patiromer FOS group which was statistically different to the mean change from baseline in the placebo group. No potentially serious complications associated with low magnesium levels were reported by subjects in the trial.

- **RLY5016-204**: The next Phase 2 prevention trial was designed to assess whether, in a similar population to the PEARL-HF study, initiating Patiromer FOS at a lower dose followed by a dose titration regimen, or varying of the dosage of Patiromer FOS required for maintaining serum potassium in the normal range, would lower the incidence of hypokalemia while still preventing hyperkalemia in subjects starting on the RAAS inhibitor, spironolactone. In this trial, all subjects had to have both HF and CKD. The results showed that at the end of 8 weeks, 91% of subjects had serum potassium levels in the range of 3.5 to 5.5 mEq/L and 84% had serum potassium levels in the range of 4.0 to 5.1 mEq/L. Using this improved dosing regimen, only 1 of 63 subjects (1.6%) developed hypokalemia. Fifty-seven percent of subjects reported at least one adverse event, with GI adverse events being the most frequently reported. Adverse events were mostly mild-to-moderate. Serious adverse events were reported in 10% of subjects and all such events were assessed by the study investigators as not related to the trial.
Phase 2b Treatment Trial

- **RLY5016-205 (AMETHYST-DN):** This was an open-label, randomized, dose ranging trial to determine the optimal starting dose, efficacy and safety of Patiromer FOS in treating hyperkalemia. The trial enrolled 306 subjects and had two treatment periods, including a Treatment Initiation Period and a Long-term Maintenance Period. In the 8-week Treatment Initiation Phase, subjects were eligible for enrollment in the trial if they had CKD and T2DM and were taking a RAAS inhibitor prior to screening. The subjects were assigned to stratum 1 (subjects with baseline serum potassium levels above 5.0 to 5.5 mEq/L) or stratum 2 (subjects with baseline serum potassium levels above 5.5 to less than 6.0 mEq/L) and given one of three different starting doses of Patiromer FOS depending on the stratum. All subjects were titrated to an individual Patiromer FOS dose based on their serum potassium levels. All subjects were eligible to continue into the 44-week Long-term Maintenance Phase and continued to receive Patiromer FOS, so that subjects were on Patiromer FOS for up to one year. Of the 306 subjects enrolled in the study, approximately 64% of subjects completed one year of treatment.

The primary efficacy endpoint for the Treatment Initiation Phase was the mean change from baseline in serum potassium levels at week 4 or at the time of the first Patiromer FOS dose titration if earlier. To select the starting doses for our pivotal Phase 3 trial, a dose finding interim data analysis was performed based on a pre-specified sample size of approximately 120 subjects who had completed the initial treatment period of the first 8 weeks of treatment. For the primary endpoint, each dose group in each stratum demonstrated statistically significant and clinically meaningful reductions in serum potassium levels, although there was no clear starting dose-dependent effect for most parameters. In the absence of a clear starting dose-dependent response to Patiromer FOS, we determined that the lowest effective dose tested was the appropriate starting dose for the Phase 3 trial. Based on the interim data, the starting doses selected for the Phase 3 program were 8.4 grams/day for subjects having a serum potassium level at baseline in the range of 5.1 to 5.5 mEq/L and 16.8 grams/day for patients having a serum potassium level at baseline above 5.5 mEq/L. In this dose finding interim analysis, the number of titrations was acceptable in each of the proposed starting doses, with most titrations occurring in the first two weeks.

Results for the Treatment Initiation Period show that Patiromer FOS as a treatment for hyperkalemia met the primary efficacy endpoint of the trial. Additionally, results from the Long-Term Maintenance Period demonstrated that Patiromer FOS maintained mean serum potassium within the normal range for up to one year, supporting persistence of the potassium lowering effect of Patiromer FOS over time. These clinically meaningful results provide supportive evidence for the efficacy, safety and tolerability of Patiromer FOS as a treatment for hyperkalemia when dosed twice daily over the long term.

**Phase 2b Trial—Treatment Initiation Period**

As shown in the graph above, in the Treatment Initiation Period, the primary endpoint was met with a statistically significant mean change in serum potassium from baseline to week 4 or time of first dose titration irrespective of the subjects’ serum
potassium at baseline. For subjects with a baseline serum potassium above 5.0 to 5.5 mEq/L, the change from baseline in serum potassium was -0.47 mEq/L (95% CI -0.55, -0.40; p < 0.001). For subjects with a baseline serum potassium 5.5 to less than 6.0 mEq/L, the change from baseline in serum potassium was -0.92 mEq/L (95% CI -1.07, -0.78; p < 0.001). During the Treatment Initiation Period, statistically significant reductions from baseline in serum potassium were observed in each stratum at each study visit, including the first post baseline study visit two days after initiating treatment with Patiromer FOS.

Throughout the 44-week Long-Term Maintenance Period (following the 8-week Treatment Initiation Period), the mean serum potassium in both Stratum 1 and Stratum 2 remained in the target serum potassium range (3.8 to 5.0 mEq/L), as shown in the graph below. At week 52, the proportion of patients with a serum potassium in the target range was 85.5% in Stratum 1 (95% CI 78.7%, 90.8%) and 89.8% in Stratum 2 (95% CI 77.8%, 96.6%).

Phase 2b Trial—One Year Efficacy Results

Patiromer was well tolerated in this trial when dosed twice daily for up to one year. The most common adverse events were mild to moderate gastrointestinal symptoms, with constipation and diarrhea reported in 5-10% of patients. The incidence of gastrointestinal adverse events did not increase over time with chronic dosing. Mild to moderate hypomagnesemia was reported in less than 10% of patients. There were no reports of severe hypomagnesemia, with no subject experiencing a serum magnesium < 1.0 mg/dL. Over the 52-week period, less than 10% of subjects were withdrawn due to adverse events, including worsening chronic renal failure (2.6%), gastrointestinal events (1.6%) and hypokalemia (1.6%). Serious adverse events were reported in 15% of patients, and all such events were assessed by the trial investigators and us as not related to Patiromer FOS.

Pivotal Phase 3 Trial

- **RLY5016-301**: The two-part pivotal Phase 3 trial was conducted under an SPA agreed upon with the FDA. The trial was designed with two parts, with each part serving as a pivotal trial. Part A was a 4-week, single arm, single-blind, Patiromer FOS treatment phase and Part B was an 8-week, parallel group, single-blind placebo-controlled randomized withdrawal phase. Subjects were enrolled into Part A and were placed in Dose Group 1 if their screening serum potassium was equal to 5.1 to less than 5.5 mEq/L (starting dose 8.4 g/day), or in Dose Group 2 if their screening serum potassium was 5.5 to less than 6.5 mEq/L (starting dose 16.8 g/day). All subjects were titrated to an individual Patiromer FOS dose based on their serum potassium levels in order to achieve a serum potassium in the 3.8 to less than 5.1 mEq/L range. Subjects with a Part A baseline serum potassium level greater than or equal to 5.5 mEq/L and who were defined as responders at the end of Part A were eligible for randomization into Part B.

Part A was designed to demonstrate the safety and efficacy of Patiromer FOS in the treatment of hyperkalemia. Given that all subjects entering Part A of the trial were hyperkalemic at study entry, it was deemed unethical and unsafe to use a placebo control arm in this part of the trial. The primary endpoint for Part A was the change from baseline to week 4 in mean serum potassium levels. A target reduction in serum potassium level of at least 0.7 mEq/L (p < 0.05) for the Part A primary endpoint was agreed to with the FDA. Part A of the trial achieved both the primary and secondary efficacy endpoints. As shown in the graph below, the change in serum potassium from baseline to week 4 was a reduction of
1.01 mEq/L (95% confidence interval -1.07, -0.95), p < 0.001, which is statistically significant. Looking at the reduction in serum potassium by dose group, in Dose Group 1 the reduction in serum potassium was 0.65 mEq/L (95% confidence interval of -0.74, -0.55) and in Dose Group 2 was 1.23 mEq/L (95% confidence interval of -1.31, -1.16), both of which are statistically significant. For the secondary endpoint of Part A, the proportion of subjects with a serum potassium in the target range of 3.8 to < 5.1 mEq/L at week 4, 76% of subjects had their serum potassium in the normal range at week 4 (95% CI 70, 81), which is statistically significant.

**Pivotal Phase 3 Trial—Part A Results**

Adverse events were reported by 44% of subjects in Part A. The most common adverse events during Part A were mild to moderate gastrointestinal symptoms (19% of subjects), with mild to moderate constipation reported the most frequently (10% of subjects). Diarrhea and nausea were reported infrequently (3%). There were no reports of severe gastrointestinal events. Mean serum magnesium levels remained in the normal range, but physician-reported hypomagnesemia occurred in 3% of subjects. The lowest serum magnesium level observed during Part A was 1.2 mg/dL in one subject, which is classified as Grade 2 by the Common Terminology Criteria for Adverse Events. Physician reported hypokalemia occurred in 1% of the subjects in Part A. Other adverse events which occurred in 2% or greater of subjects in Part A included anemia, left ventricular hypertrophy, chronic renal failure, dyslipidemia, flatulence, decreased glomerular filtration rate and hyperglycemia, each of which occurred in between 2% and 2.5% of subjects in Part A. There were four serious adverse events, or SAEs, reported in Part A of the trial. All were assessed as unrelated to Patiromer FOS by the study investigator and by us. The four events each resulted in hospitalization and included: paroxysmal atrial fibrillation with tachyarrhythmia; a urinary tract infection with bacteremia and subtherapeutic anticoagulant blood levels, and in the same subject, after study discontinuation, endocarditis; and worsening renal function.

Part B was designed to demonstrate that chronic administration with Patiromer FOS reduces the recurrence of hyperkalemia. Subjects with a baseline serum potassium level greater than or equal to 5.5 mEq/L at Part A enrollment and whose serum potassium level was controlled at week 4 of Part A were entered into Part B in order to maximize the ability of the trial to capture the full treatment effect of Patiromer FOS in treating hyperkalemia. The rationale for the use of a placebo control in this part of the trial was to provide a comparator for safety data evaluation and continued control of serum potassium level. Since subjects’ serum potassium levels were controlled upon randomization into Part B, use of a placebo control arm was ethical. The primary endpoint for the Part B trial is the difference between the Patiromer FOS and placebo groups in the change in serum potassium levels (p < 0.05). This change in serum potassium level was assessed by measuring the difference in potassium values measured at the start of the Part B period and at week 4 of the Part B period or earlier if changes to Patiromer FOS or RAAS inhibitor therapy was required to control rising serum potassium levels. If subjects developed recurrent hyperkalemia, defined as a serum potassium greater than
than or equal to 5.5 mEq/L during the first four weeks of Part B, then those randomized to Patiromer FOS increased the Patiromer FOS dose while those randomized to placebo decreased the RAAS inhibitor dose. If subjects developed recurrent hyperkalemia, defined as a serum potassium greater than or equal to 5.1 mEq/L during the second four weeks of Part B, then those randomized to Patiromer FOS increased the Patiromer FOS dose while those randomized to placebo decreased the RAAS inhibitor dose. Throughout the 8 weeks of Part B, if the Patiromer FOS dose increase or the RAAS inhibitor dose decrease did not control the recurrent hyperkalemia, then the RAAS inhibitor therapy was withdrawn. As shown in the graph below, Part B of the trial met this primary endpoint, with the difference between the placebo and the Patiromer FOS groups in the median change from Part B baseline in serum potassium equal to 0.72 mEq/L (95% CI 0.46, 0.97), p < 0.001.

### Pivotal Phase 3 Trial—Part B Results

![Graph showing difference between placebo and Patiromer FOS groups in median change from Part B baseline in serum potassium.](image)

**Part B Primary Efficacy Endpoint:**
Difference Between Groups in the Median Change in Serum Potassium from Part B Baseline to Part B Week 4*

\[ \Delta = 0.72 \text{ mEq/L} \]
\[ p < 0.001 \]

* Or earlier time point if subject first had serum potassium < 3.8 mEq/L or ≥ 5.5 mEq/L.

Differences between Patiromer FOS and placebo groups for the Part B secondary endpoints, the proportion of subjects who developed recurrent hyperkalemia, were also significant. The two secondary endpoints evaluated in Part B were the proportion of subjects in each group who developed recurrent hyperkalemia (defined as having a serum potassium ≥ 5.1 mEq/L and ≥ 5.5 mEq/L) after having been controlled on Patiromer FOS in Part A. More placebo subjects (91%) developed recurrent hyperkalemia with a serum potassium ≥ 5.1 mEq/L at any time during Part B than Patiromer FOS subjects (43%). This difference between groups of 48% (95% CI 33, 63) was statistically significant, p < 0.001. Also more placebo subjects (60%) developed recurrent hyperkalemia with a serum potassium ≥ 5.5 mEq/L at any time during Part B than Patiromer FOS subjects (15%). This difference between groups of 45% (95% CI 29, 61) was also statistically significant, p < 0.001.
During Part B, a similar proportion of placebo (46%) and Patiromer FOS (47%) subjects reported at least one adverse event. More subjects in the Patiromer FOS group (13%) reported gastrointestinal adverse events than in the placebo group (6%). Constipation, diarrhea and nausea were each reported in 4% of Patiromer FOS subjects, with no placebo subjects reporting these symptoms. There were no severe gastrointestinal adverse events reported in the Patiromer FOS group, with one severe gastrointestinal event reported in the placebo group (mesenteric artery thrombosis as discussed below). Mean serum magnesium levels remained in the normal range in each group throughout Part B of the trial, but physician-reported hypomagnesemia occurred in 2% of subjects in each group, with no severe cases of hypomagnesemia reported. There was no physician-reported hypokalemia in Part B. The frequency of other commonly reported adverse events in the Patiromer FOS group were either similar to, or less than, the placebo group. Other adverse events which occurred in 2% or greater of subjects in Part B included headaches (8% placebo group; 4% Patiromer FOS group), increased hepatic enzyme (4% placebo group; 2% Patiromer FOS group), hyperkalemia (4% placebo group; 2% Patiromer FOS group), influenza (4% placebo group; 2% Patiromer FOS group), supraventricular extrasystoles (2% placebo group; 4% Patiromer FOS group), upper abdominal pain (2% placebo group; 2% Patiromer FOS group), insomnia (2% placebo group; 2% Patiromer FOS group), pruritus (2% placebo group; 2% Patiromer FOS group) and chronic renal failure (2% placebo group; 2% Patiromer FOS group). 4% of patients in the placebo group experienced hypertension or hypercholesterolemia compared to none in the Patiromer FOS group. There was one SAE reported in Part B of the trial, which was assessed as unrelated to Patiromer FOS by the study investigator and by us. This was a placebo subject who developed fatal mesenteric artery and gallbladder artery thrombosis.

The positive results from both parts of the trial indicate that Patiromer FOS is an effective treatment for hyperkalemia.

In addition to the primary and secondary endpoints, we evaluated pre-defined exploratory endpoints from this two-part pivotal Phase 3 clinical trial. An exploratory endpoint, generally, is neither a primary nor secondary endpoint, but is one which can provide variations on primary or secondary endpoints, by for example considering alternate definitions or alternate time-points. In the context of this trial, the exploratory endpoints provided additional information on the way patients were managed with regard to their recurrent hyperkalemia. The two pre-defined exploratory endpoints were (1) the proportion of subjects requiring any dose modification of RAAS inhibitor therapies, such as down titration or discontinuations, because of recurrent hyperkalemia during the Part B 8-week period and (2) the proportion of subjects still receiving any dose of a RAAS inhibitor medication at the end of Part B.

As described above, after achieving normalized serum potassium levels with Patiromer FOS treatment in Part A, subjects entered the Part B withdrawal phase and were randomized to either continue treatment with Patiromer FOS or to receive placebo. If recurrent hyperkalemia developed during Part B, in order to manage the rising serum potassium levels RAAS inhibitor therapy dose reduction was required in the placebo group and Patiromer FOS up titration was required in the Patiromer FOS group. In either group, if these interventions did not normalize serum potassium, discontinuation of RAAS inhibitor medication was required.
As shown in the graph below, as a result of recurrent hyperkalemia, significantly more placebo patients required dose modification of their RAAS inhibitor therapies (62%) than Patiromer FOS patients (6%), \( p < 0.001 \); with more Patiromer FOS patients (94%) still on RAAS inhibitor medication at the end of the trial than placebo patients (48%), \( p < 0.001 \).

For the majority of the placebo subjects, RAAS inhibitor dose reduction was insufficient to control recurrent hyperkalemia resulting in discontinuation of RAAS inhibitor medication in 50% of the placebo subjects. In the Patiromer FOS group, 11% of subjects required a dose increase of Patiromer FOS with just 6% requiring discontinuation of RAAS inhibitor medication. No hyperkalemia intervention was required in the majority of Patiromer FOS subjects (83%) compared to 38% of the placebo subjects. These data are summarized in the graph below.
While the RAAS inhibitor data described above provided insight into the way patients were managed with regard to their recurrent hyperkalemia, because these data were based on exploratory endpoint analyses, the results from the pivotal Phase 3 trial will not be sufficient to support FDA approval of a RAAS inhibitor enabling indication.

**Regulatory Pathway**

Our New Drug Application, or NDA, for Patiromer FOS was accepted for filing by the U.S. Food and Drug Administration, or FDA, in December 2014. The FDA has assigned a Prescription Drug User Fee Act, or PDUFA, action date of October 21, 2015 for completion of review of our NDA. The FDA has indicated it does not currently plan to convene an Advisory Committee for advice regarding our NDA.

**Nonclinical and Toxicology Studies**

Nonclinical pharmacology studies have shown that Patiromer FOS binds potassium in simple ionic matrices as well as in complex environments, such as ex vivo human colonic and fecal extracts and in vivo animal models. Nonclinical safety data showed that Patiromer FOS was not genotoxic and was not associated with adverse effects in cardiovascular, central nervous system, gastrointestinal motility or pulmonary safety pharmacology studies. In addition, absorption and distribution of Patiromer FOS was assessed in 2 separate studies in 2 different animal species using a radio-labelled drug. In each study, Patiromer FOS was demonstrated to not be absorbed from the intestinal tract. Long-term chronic exposure toxicology studies with Patiromer FOS demonstrated that the drug was not associated with adverse effects or abnormal pathology in various animal models using doses up to 15 times the maximum human daily dose. As a result of these data confirming the non-absorbed nature of Patiromer FOS and the lack of safety findings in the nonclinical studies, we received a carcinogenicity waiver from the FDA and confirmation that peri/postnatal reproductive toxicology studies would not be needed for marketing approval. Nonclinical drug-drug interaction studies indicate that Patiromer FOS may interfere with the absorption of some drugs commonly used in our target patient population. While we believe that this type of interaction is not uncommon for polymer drugs and may not limit the commercial potential of Patiromer FOS, we may be required to conduct additional testing, if approved.

**Competition**

We compete in the segments of the pharmaceutical, biotechnology and other related markets that address chronic kidney disease, HF and metabolic diseases. We face significant competition from many pharmaceutical and biotechnology companies that are also researching and selling products designed to address these markets. Many of our competitors have materially greater financial, manufacturing, commercial, research and drug development resources than we do. Large pharmaceutical companies in particular have extensive expertise in preclinical and clinical testing and in obtaining regulatory approvals and commercializing drugs. In addition, academic institutions, government agencies, and other public and private organizations conducting research may seek patent protection with respect to potentially competitive products or technologies. These organizations may also establish exclusive collaborative or licensing relationships with our competitors.

In the U.S., current treatment options for the chronic management of hyperkalemia are limited. These options include dietary potassium restriction, potassium-wasting diuretics or SPS (e.g., Kayexalate®). Dietary potassium restriction is difficult due to the ubiquitous presence of potassium in foods. Because fat, carbohydrates (in diabetics), sodium and phosphorus tend to be restricted in CKD patients, the addition of a potassium restriction severely limits food options for these patients, which results in significant patient compliance issues. Diuretics, a mainstay for managing sodium, water balance and hypertension, are highly efficient at removing potassium in patients with normal renal function; however, the effectiveness of these drugs is greatly diminished in patients with CKD. SPS’ product labeling includes warnings of serious and potentially fatal gastrointestinal, or GI, side effects, and therefore, we believe that its use as a daily treatment option over the long-term is limited.

Other companies may also develop drugs specifically for the treatment of hyperkalemia. We are currently aware of one other company, ZS Pharma, Inc., or ZS Pharma, which is developing a zirconium silicate particle to treat hyperkalemia referred to as ZS-9. ZS-9 has completed two pivotal Phase 3 clinical trials, and ZS Pharma has announced that it intends to submit a NDA for ZS-9 in the first half of 2015. We do not know whether ZS-9 will be introduced to the market and if so, the timing or success of such introduction. However, in the event that ZS Pharma, or other companies developing treatment options for hyperkalemia, are successful, we will face additional competition for Patiromer FOS.

**Manufacturing and Distribution**

We contract with third parties for the manufacture of Patiromer FOS. We currently have no manufacturing facilities and limited personnel with manufacturing experience. We rely on third-party manufacturers to produce bulk drug substance and drug product. We plan to continue to rely upon contract manufacturers to manufacture commercial quantities of our drug substance and drug product if we receive approval for marketing by the applicable regulatory authorities.
Patiromer FOS, the drug product, is a dry, odorless blend of the polymeric active pharmaceutical ingredient, or API, and a small amount of xanthan gum, an excipient, which acts as a suspending agent. The API is manufactured using a two-step process. The initial step is a suspension polymerization, a well-established technique that is widely used for the manufacturing of polymers. The second step activates the polymer for binding and creates a calcium sorbitol counterion complex. The API is blended with xanthan gum, the excipient to form a free flowing powder blend which is filled into packets, a well-established configuration for the dosing of polymer drugs for oral suspension. One starting material for our drug substance is methyl-2-fluoro-acrylate monomer, or MFA, which is available from multiple suppliers. We plan to secure large quantities of MFA measured in metric tons.

We anticipate starting doses for Patiromer FOS of 8.4 grams/day and 16.8 grams/day and a current dosing range of 8.4 grams/day to 50.4 grams/day.

We completed manufacturing of registration batches of patiromer at a scale that is about half of the expected commercial scale. Registration batches were used for our pivotal Phase 3 trial and ongoing stability studies, including an ongoing 36-month stability study. Drug substance manufacturing at commercial scale of validation lots is ongoing, and we expect that our next manufacturing campaign for finished drug product will include validation lots at commercial scale. We have completed development and validation of analytical methods for commercial release testing. We have completed testing for impurities in drug substance registration stability batches and clinical batches using analytical procedures developed in-house, finding that the purity of drug substance is high. We believe the levels of impurities, are below the suggested guidance recommendations. Control of impurities during API and drug product manufacturing will be confirmed through process validation.

We are engaged with experienced polymeric drug manufacturers to produce Patiromer FOS. We currently rely on two manufacturers to produce our drug substance: Lanxess Corporation, or Lanxess, through its affiliate Saltigo GmbH, and DPx Fine Chemicals Austria GmbH & Co KG, or DPx Fine Chemicals, formerly DSM Fine Chemicals Austria NFG GMBH & Co. KG. We entered into a multi-year Manufacturing and Supply Agreement with Lanxess in January 2014 and a multi-year Manufacturing and Supply Agreement with DPx Fine Chemicals in May 2014. We submitted only Lanxess as a drug substance manufacturer with our NDA for Patiromer FOS. Purchase orders have been issued and accepted under our prior commercial supply arrangement with Lanxess, which are now governed by the Manufacturing and Supply Agreement, to cover our currently projected API demand for the initial time period after Patiromer FOS product launch. We currently rely on a single manufacturer, Patheon, Inc., or Patheon, to produce our finished drug product. We entered into a multi-year Supply Agreement with Patheon in September 2014. We plan to establish a diverse and volume appropriate portfolio of third-party manufacturers with multiple parties for the API and drug product post-NDA approval. The current manufacturing capacities require significant lead times for the drug’s pre-launch quantities, but we anticipate that lead times will be reduced once sufficient manufacturing capacity has been established.

Our third-party manufacturers, their facilities and all lots of drug substance and drug products used in our clinical trials are required to be in compliance with current Good Manufacturing Practices, or cGMP. The cGMP regulations include requirements relating to organization of personnel, buildings and facilities, equipment, control of components and drug product containers and closures, production and process controls, packaging and labeling controls, holding and distribution, laboratory controls, records and reports, and returned or salvaged products. The manufacturing facilities for our products must meet cGMP requirements and FDA satisfaction before any product is approved and we can manufacture commercial products. Our third-party manufacturers are also subject to periodic inspections of facilities by the FDA and other authorities, including procedures and operations used in the testing and manufacture of our products to assess our compliance with applicable regulations. Failure to comply with statutory and regulatory requirements subjects a manufacturer to possible legal or regulatory action, including warning letters, the seizure or recall of products, injunctions, consent decrees placing significant restrictions on or suspending manufacturing operations and civil and criminal penalties. These actions could have a material impact on the availability of our products. Contract manufacturers at times encounter difficulties involving production yields, quality control and quality assurance, as well as shortages of qualified personnel.

Due to a limited shelf life of the drug product, Patiromer FOS requires cold storage and distribution. The currently ongoing 36-month stability studies provided 18 months of data used in the NDA filing. We expect that these data will support the storage of Patiromer FOS for 18 to 24 months at 2°C to 8°C, including up to 3 months at 25°C. We plan to distribute Patiromer FOS using controlled temperature logistics and intend that patients will be able to store Patiromer FOS at room temperature for a specified period of time. We are establishing validated processes for temperature monitoring from manufacturing through storage and distribution compliant with existing regulations. Similar cold-chain logistics are common in the industry, and we plan to use those established distribution channels.

Polymeric-based drugs like Patiromer FOS generally require large quantities of drug substance, as compared to small molecule drugs. Our business plan assumes that we are able to develop a supply chain with multiple suppliers and significantly decrease our cost of goods within the first several years of commercialization of Patiromer FOS, enabling us to achieve gross margins similar to those achieved by other companies who produce non-absorbed polymeric drugs.
Polymer Drug Discovery Technology and License Agreement with Ilypsa

Patiromer was developed utilizing our proprietary polymer drug discovery technology, which targets indications susceptible to treatment by non-absorbed binders in the GI tract. The discovery and development platform, which is the basis of our polymer discovery technology, was originally created and validated at Symyx Technologies, Inc., or Symyx. Symyx licensed certain assets related to the discovery and development platform into Ilypsa, Inc., a biopharmaceutical company, that was purchased by Amgen Inc., or Amgen, in 2007. Subsequent to its acquisition by Amgen, we and Ilypsa entered into an IP License and Assignment Agreement and an Exchange Agreement for certain of its polymeric therapeutic assets in consideration of an equity interest in us and certain of Ilypsa’s polymer drug discovery technology. This technology has been used to discover several product candidates, including Kiklin®, a drug commercialized by Astellas.

In November 2009, we entered into an amended and restated IP License and Assignment Agreement, which we refer to as the IP License Agreement. Pursuant to the IP License Agreement we hold an exclusive sublicense under patent rights originally licensed to Ilypsa for the development and commercialization of pharmaceutical products developed using its polymer-based technology, such as Patiromer FOS. We maintain the right to prosecute, defend, maintain and enforce the assigned patent rights under this agreement. We do not have any royalty obligation under the IP License Agreement with respect to Patiromer FOS, and in March 2013, we satisfied our sole milestone payment obligation with respect to Patiromer FOS with a payment of $12.5 million in connection with the dosing of the first patient in our pivotal Phase 3 trial. While the IP License Agreement does require that we make certain royalty payments on sales of covered products, other than in respect of sales of Patiromer FOS, we are not currently developing any covered products under the IP License Agreement. In addition, upon a change of control, we are required to pay Ilypsa (Amgen) an increasing amount of the purchase price, less certain expenses, of such transaction, ranging from approximately 6.7% to 10% of such amount, up to a maximum of $30.0 million.

Pursuant to the IP License Agreement we also maintain customary reporting obligations and Ilypsa (Amgen) maintains certain audit rights relating to our commercialization of royalty bearing products. Both we and Ilypsa (Amgen) are subject to customary indemnification and confidentiality provisions. The IP License Agreement terminates automatically on a country-by-country basis on the later of the last to expire of the licensed patent rights (in the applicable country) and ten years from the first commercial sale of any royalty bearing product. Either party can also terminate the agreement on a program-by-program basis, other than in respect of Patiromer FOS, in the event of an uncured material breach lasting for 60 days, or in the event of the other’s insolvency or bankruptcy.

Intellectual Property

Our commercial success depends in part on our ability to obtain and maintain proprietary protection for our drug candidates, manufacturing and process discoveries, and other know-how, to operate without infringing the proprietary rights of others and to prevent others from infringing our proprietary rights. Our policy is to seek to protect our proprietary position by, among other methods, filing U.S. and foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development and implementation of our business. We also rely on trade secrets, know-how, continuing technological innovation and potential in-licensing opportunities to develop and maintain our proprietary position. With regard to the pharmaceutical products we develop, we intend to pursue composition-of-matter patents, where possible, and dosage and formulation patents, as well as method-of-use patents on novel indications for known compounds. We also seek patent protection for manufacturing discoveries, including new in-process controls and starting materials.

The patent portfolio for Patiromer FOS is directed to cover compositions of matter and methods of treatment. This patent portfolio includes issued U.S. patents, pending U.S. patent applications, and corresponding foreign national and regional counterpart patents and patent applications. The patents and patent applications relating to Patiromer FOS are all owned by Relypsa. The issued composition of matter patents (U.S. Patent Nos. 8,147,873, 8,282,913, and 8,337,824), if the appropriate maintenance fees are paid, are expected to expire between 2026 and 2030. The issued methods of treatment patents (U.S. Patent Nos. 7,556,799, 8,216,560, 8,287,847, 8,475,780, 8,778,324 and 8,898,115), if the appropriate maintenance fees are paid, are expected to expire between 2024 and 2027. If additional patent term for one of the Patiromer FOS U.S. patents is awarded as a result of the patent term extension provision of the Hatch-Waxman Amendments of 1984, or the Hatch-Waxman Act, the term of the patent would not extend beyond 2030. We expect that the patent applications in this portfolio, if issued, and if appropriate maintenance, and other governmental fees are paid, would expire between 2024 and 2030, excluding any additional term from patent term adjustment or patent term extension.
The term of composition of matter patents and patent applications, if applicable, relating to Patiromer FOS in other jurisdictions (Australia, Brazil, Canada, China, Germany, Europe, Hong Kong, India, Japan, Mexico, South Korea, and United Kingdom) and methods of treatment patents and patent applications, if applicable, relating to Patiromer FOS (Australia, Brazil, Canada, China, Germany, Europe, India, Japan, Mexico, South Korea, and United Kingdom), if the appropriate maintenance, renewal, annuity, and other government fees are paid, are expected to expire between 2024 and 2029. These patents and patent applications (if applicable), depending on the national laws, may benefit from extension of patent term in individual countries if regulatory approval of Patiromer FOS is obtained in those countries. In the European Union member countries, for example, a supplementary protection certificate, if obtained, provides a maximum five years of market exclusivity. Likewise, in Japan, the term of a patent may be extended by a maximum of five years in certain circumstances.

We also protect our proprietary technology and processes, in part, by confidentiality and invention assignment agreements with our employees, consultants, scientific advisors and other contractors. These agreements may be breached, and we may not have adequate remedies for any breach. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our employees, consultants, scientific advisors or other contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Our commercial success will also depend in part on not infringing the proprietary rights of third parties. It is uncertain whether the issuance of any third-party patent would require us to alter our development or commercial strategies, alter our drugs or processes, obtain licenses or cease certain activities. Our breach of any license agreements or failure to obtain a license to proprietary rights that we may require to develop or commercialize our future drugs may have a material adverse impact on us. If third parties prepare and file patent applications in the U.S. that also claim technology to which we have rights, we may have to participate in interference proceedings in the U.S. Patent and Trademark Office, or USPTO, to determine priority of invention.

Research and Development

We are conducting development activities in support of regulatory approval of Patiromer FOS and manufacturing of commercial supply of Patiromer FOS. In the years ended December 31, 2014, 2013 and 2012, we incurred $50.2 million, $59.0 million and $36.1 million, respectively, of research and development expense.

Government Regulation

The FDA and comparable regulatory authorities in state and local jurisdictions and in other countries impose substantial requirements upon companies involved in 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, safety, effectiveness, labeling, storage, record keeping, approval, advertising and promotion, distribution, post-approval monitoring and reporting, sampling, and export and import of our product candidates.

In the U.S., the FDA regulates drug products under the Federal Food, Drug, and Cosmetic Act, or FFDCA, and the FDA’s implementing regulations. If we fail to comply with applicable FDA or other requirements at any time during the drug development process, clinical testing, the approval process or after approval, we may become subject to administrative or judicial sanctions. These sanctions could include the FDA’s refusal to approve pending applications, license suspension or revocation, withdrawal of an approval, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, civil penalties or criminal prosecution. Any FDA enforcement action could have a material adverse effect on us. FDA approval is required before any new unapproved drug or dosage form, including a new use of a previously approved drug, can be marketed in the U.S.

The process required by the FDA before a drug may be marketed in the U.S. generally involves:

- completion of extensive nonclinical laboratory tests, nonclinical animal studies and formulation studies some performed in accordance with the FDA’s current Good Laboratory Practice, or cGLP, regulations;
- submission to the FDA of an Investigational New Drug, or IND, application which must become effective before human clinical trials in the U.S. may begin;
- approval by an independent institutional review board, or IRB, or ethics committee at each clinical trial site before each trial may be initiated;
- performance of adequate and well-controlled human clinical trials to establish the safety and efficacy of the drug candidate for each proposed indication;
- submission to the FDA of a New Drug Application, or NDA;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the drug is produced to assess compliance with cGMP regulations;

[24]
The nonclinical and clinical testing and approval process requires substantial time, effort and financial resources, and we cannot be certain that any approvals for our product candidates will be granted on a timely basis, if at all. Nonclinical tests include laboratory evaluation of product chemistry, formulation, stability and toxicity, as well as animal studies to assess the characteristics and potential safety and efficacy of the product. The results of nonclinical tests, together with manufacturing information, analytical data and a proposed clinical trial protocol and other information, are submitted as part of an IND to the FDA. Some nonclinical testing may continue even after the IND is submitted. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, raises concerns or questions relating to one or more proposed clinical trials and places the clinical trial on a clinical hold, including concerns that human research subjects will 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. A separate submission to an existing IND must also be made for each successive clinical trial conducted during product development.

Clinical trials involve the administration of the investigational drug to human subjects under the supervision of qualified investigators. Clinical trials are conducted under protocols detailing, among other things, the objectives of the clinical trial, the parameters to be used in monitoring safety and the effectiveness criteria to be used. Each protocol must be submitted to the FDA as part of the IND. An independent institutional review board, or IRB, or ethics committee for each medical center proposing to conduct a clinical trial must also review and approve a plan for any clinical trial before it can begin at that center and the IRB must monitor the clinical trial until it is completed. The FDA, the IRB, or the sponsor may suspend or discontinue a clinical trial at any time on various grounds, including a finding that the subjects are being exposed to an unacceptable health risk.

Clinical testing also must satisfy extensive Good Clinical Practice, or GCP, requirements, including the requirements for informed consent. All clinical research performed in the U.S. in support of an NDA must be authorized in advance by the FDA under the IND regulations and procedures described above. However, a sponsor who wishes to conduct a clinical trial outside the U.S. may, but need not, obtain FDA authorization to conduct the clinical trial under an IND. If a foreign clinical trial is not conducted under an IND, the sponsor may submit data from the clinical trial to the FDA in support of an NDA so long as the clinical trial is conducted in compliance with an international guideline for the ethical conduct of clinical research known as the Declaration of Helsinki and/or the laws and regulations of the country or countries in which the clinical trial is performed, whichever provides the greater protection to the participants in the clinical trial.

Clinical Trials

For purposes of NDA submission and approval, clinical trials are typically conducted in three or four phases, which may overlap or be combined.

- **Phase 1**: Clinical trials are initially conducted in a limited population of subjects to test the drug candidate for safety, dose tolerance, absorption, metabolism, distribution and excretion in healthy humans or, on occasion, in patients with severe problems or life-threatening diseases to gain an early indication of its effectiveness.

- **Phase 2**: Clinical trials are generally conducted in a limited patient population to evaluate dosage tolerance and appropriate dosage, identify possible adverse effects and safety risks, and evaluate preliminarily the efficacy of the drug for specific targeted indications in patients with the disease or condition under study.

- **Phase 3**: Clinical trials are typically conducted when Phase 2 clinical trials demonstrate that a dose range of the product candidate is effective and has an acceptable safety profile. Phase 3 clinical trials are commonly referred to as “pivotal” studies, which typically denotes a study which presents the data that the FDA or other relevant regulatory agency will use to determine whether or not to approve a drug. Phase 3 clinical trials are generally undertaken with large numbers of patients, such as groups of several hundred to several thousand, 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.

- **Phase 4**: In some cases, FDA may condition approval of an NDA for a product candidate on the sponsor’s agreement to conduct additional clinical trials after NDA approval. In other cases, a sponsor may voluntarily conduct additional clinical trials post approval to gain more information about the drug. Such post approval trials are typically referred to as Phase 4 clinical trials.

Concurrent with clinical trials, companies usually complete additional animal trials and must also develop additional information about the chemistry and physical characteristics of the drug and finalize a process for manufacturing the drug in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the drug candidate and, among other things, the manufacturer must develop methods for testing the identity, strength, quality and purity of...
the final drug product. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the drug candidate does not undergo unacceptable deterioration over its shelf life.

**New Drug Applications**

The results of nonclinical studies and of the clinical trials, together with other detailed information, including extensive manufacturing information and information on the composition of the drug, are submitted to the FDA in the form of an NDA requesting approval to market the drug for one or more specified indications. The FDA reviews an NDA to determine, among other things, whether a drug is safe and effective for its intended use.

Under the Prescription Drug User Fee Act, the FDA has a goal of responding to standard review NDAs within ten months after the 60 day filing review period, but this timeframe is often extended. The first indication of the FDA’s review progress is provided at the mid-cycle review. This typically occurs 5 months after the NDA is submitted. However, the review process is often significantly extended by FDA requests for additional information or clarification. The FDA may refer the application to an advisory committee for review, evaluation and recommendation as to whether the application should be approved. The FDA is not bound by the recommendation of an advisory committee, but it generally follows such recommendations. The FDA may deny approval of an NDA if the applicable statutory and regulatory criteria are not satisfied, or it may require additional clinical data or an additional Phase 3 clinical trial. 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 interpret data. Once the FDA approves an NDA, or supplement thereto, the FDA may withdraw the approval if ongoing regulatory requirements are not met or if safety problems are identified after the drug reaches the market. Where a withdrawal may not be appropriate, the FDA still may seize existing inventory of such drug or require a recall of any drug already on the market. In addition, the FDA may require testing, including Phase 4 clinical trials and surveillance programs to monitor the effect of approved drugs which have been commercialized. The FDA has the authority 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 FDA approved indications and in accordance with the provisions of the approved labeling. Further, if there are any modifications to the drug, including changes in indications, labeling, or manufacturing processes or facilities, the applicant may be required to submit and obtain FDA approval of a new NDA or NDA supplement, which may require the applicant to develop additional data or conduct additional nonclinical studies and clinical trials.

Before approving an application, the FDA will inspect the facility or the facilities at which the finished drug product, and sometimes the active drug ingredient, is manufactured, and will not approve the drug unless GMP compliance is satisfactory. The FDA may also inspect the sites at which the clinical trials were conducted to assess their compliance, and will not approve the drug unless compliance with GCP requirements is satisfactory.

The testing and approval processes require substantial time, effort and financial resources, and each may take several years to complete. The FDA may not grant approval on a timely basis, or at all. Even if we believe a clinical trial has demonstrated safety and efficacy of one of our drug candidates for the treatment of a disease, the results may not be satisfactory to the FDA. Nonclinical and clinical data may be interpreted by the FDA in different ways, which could delay, limit or prevent regulatory approval. We may encounter difficulties or unanticipated costs in our efforts to secure necessary governmental approvals which could delay or preclude us from marketing drugs. The FDA may limit the indications for use or place other conditions on any approvals that could restrict the commercial application of the drugs. After approval, certain changes to the approved drug, such as adding new indications, manufacturing changes, or additional labeling claims are subject to further FDA review and approval. Depending on the nature of the change proposed, an NDA supplement must be filed and approved before the change may be implemented. For many proposed post-approval changes to an NDA, but excluding efficacy supplements to an NDA, the FDA has up to 180 days to review the application. As with new NDAs, the review process is often significantly extended by the FDA requests for additional information or clarification.

**Special Protocol Assessment**

An SPA is a written agreement with the FDA on the details of the design, size, execution and planned analysis for a clinical trial intended to form the primary basis of an effectiveness claim in an NDA. After the clinical trial begins, the agreement may only be changed through a written agreement between the sponsor and the FDA. An SPA is generally binding upon the FDA unless the FDA determines that there are public health concerns unrecognized at the time the SPA agreement was entered into, other new scientific concerns regarding product safety or efficacy arise, or if the sponsor fails to comply with the agreed-upon trial protocol. If the outcome of the clinical trial is successful, the sponsor will ordinarily be able to rely on it as the primary basis for approval with respect to effectiveness. We operated under an SPA for our pivotal Phase 3 trial of Patiromer FOS.

**Other Regulatory Requirements**

Any drugs manufactured or distributed by us or our collaborators pursuant to FDA approvals would be subject to continuing regulation by the FDA, 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 certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with ongoing regulatory requirements, including cGMP, 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 regulatory requirements. If we or our present or future third party manufacturers or suppliers are not able to comply with these requirements, the FDA may halt our clinical trials, require us to recall a drug from distribution or withdraw approval of the NDA for that drug.

The FDA closely regulates the post-approval marketing and promotion of drugs, including standards and regulations for direct-to-consumer advertising, off-label promotion, industry-sponsored scientific and educational activities and promotional activities involving the Internet. A company can make only those claims relating to safety and efficacy that are approved by the FDA. Failure to comply with these requirements can result in adverse publicity, warning letters, corrective advertising and potential civil and criminal penalties. Physicians may prescribe legally available drugs for uses that are not described in the product’s labeling and that differ from those tested by us and approved by the FDA. Such off-label uses are common across medical specialties. Physicians may believe that such off-label uses are the best treatment for many patients in varied circumstances. The FDA does not regulate the behavior of physicians in their choice of treatments. The FDA does, however, impose stringent restrictions on manufacturers’ communications regarding off-label use.

**Healthcare Reform**

In March 2010, the President signed one of the most significant healthcare reform measures in decades. The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, collectively known as the Affordable Care Act, substantially changes the way healthcare will be financed by both governmental and private insurers, and significantly impacts the pharmaceutical industry. The comprehensive $940 billion dollar overhaul is expected to extend coverage to approximately 32 million previously uninsured Americans. The Affordable Care Act contains a number of provisions, including those governing enrollment in federal healthcare programs, reimbursement changes and fraud and abuse, which will impact existing government healthcare programs and will result in the development of new programs, including Medicare payment for performance initiatives and improvements to the physician quality reporting system and feedback program. Additionally, the Affordable Care Act:

- mandates a further shift in the burden of Medicaid payments to the states;
- increases the minimum level of Medicaid rebates payable by manufacturers of brand-name drugs from 15.1% to 23.1%;
- requires collection of rebates for drugs paid by Medicaid managed care organizations;
- requires manufacturers to participate in a coverage gap discount program, under which they must agree to offer 50 percent point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer’s outpatient drugs to be covered under Medicare Part D, beginning January 2011; and
- imposes a non-deductible annual fee on pharmaceutical manufacturers or importers who sell “branded prescription drugs” to specified federal government programs.

**Anti-Kickback and False Claims Laws**

In the U.S., the research, manufacturing, distribution, sale and promotion of drug products and medical devices are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including the Centers for Medicare & Medicaid Services, or CMS, other divisions of the U.S. Department of Health and Human Services (e.g., the Office of Inspector General), the U.S. Department of Justice, state Attorneys General, and other state and local government agencies. For example, sales, marketing and scientific/educational grant programs must comply with the Medicare-Medicaid Anti-Fraud and Abuse Act, as amended, or the Anti-Kickback Statute, the False Claims Act, as amended, the privacy regulations promulgated under the Health Insurance Portability and Accountability Act, or HIPAA, and similar state laws. Pricing and rebate programs must comply with the Medicaid Drug Rebate Program requirements of the Omnibus Budget Reconciliation Act of 1990, as amended, and the Veterans Health Care Act of 1992, as amended. If products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. All of these activities are also potentially subject to federal and state consumer protection and unfair competition laws.

As noted above, in the U.S., we are subject to complex laws and regulations pertaining to healthcare “fraud and abuse,” including, but not limited to, the Anti-Kickback Statute, the federal False Claims Act, and other state and federal laws and regulations. The Anti-Kickback Statute makes it illegal for any person, including a prescription drug manufacturer (or a party acting on its behalf) to knowingly and willfully solicit, receive, offer, or pay any remuneration that is intended to induce the referral of business, including the
purchase, order, or prescription of a particular drug, for which payment may be made under a federal healthcare program, such as Medicare or Medicaid. Violations of this law are punishable by up to five years in prison, criminal fines, administrative civil money penalties, and exclusion from participation in federal healthcare programs. In addition, many states have adopted laws similar to the Anti-Kickback Statute. Some of these state prohibitions apply to the referral of patients for healthcare services reimbursed by any insurer, not just federal healthcare programs such as Medicare and Medicaid. Due to the breadth of these federal and state anti-kickback laws, the absence of guidance in the form of regulations or court decisions, and the potential for additional legal or regulatory change in this area, it is possible that our future sales and marketing practices and/or our future relationships with physicians might be challenged under anti-kickback laws, which could harm us. Because we intend to commercialize products that could be reimbursed under a federal healthcare program and other governmental healthcare programs, we plan to develop a comprehensive compliance program that establishes internal controls to facilitate adherence to the rules and program requirements to which we will or may become subject.

The federal False Claims Act prohibits anyone from knowingly presenting, or causing to be presented, for payment to federal programs (including Medicare and Medicaid) claims for items or services, including drugs, that are false or fraudulent, claims for items or services not provided as claimed, or claims for medically unnecessary items or services. Although we would not submit claims directly to payors, manufacturers can be held liable under these laws if they are deemed to “cause” the submission of false or fraudulent claims by, for example, providing inaccurate billing or coding information to customers or promoting a product off-label. In addition, our future activities relating to the reporting of wholesaler or estimated retail prices for our products, the reporting of prices used to calculate Medicaid rebate information and other information affecting federal, state, and third-party reimbursement for our products, and the sale and marketing of our products, are subject to scrutiny under this law. For example, pharmaceutical companies have been prosecuted under the federal False Claims Act in connection with their off-label promotion of drugs. Penalties for a False Claims Act violation include three times the actual damages sustained by the government, plus mandatory civil penalties of between $5,500 and $11,000 for each separate false claim, the potential for exclusion from participation in federal healthcare programs, and, although the federal False Claims Act is a civil statute, conduct that results in a False Claims Act violation may also implicate various federal criminal statutes. If the government were to allege that we were, or convict us of, violating these false claims laws, we could be subject to a substantial fine and may suffer a decline in our stock price. In addition, private individuals have the ability to bring actions under the federal False Claims Act and certain states have enacted laws modeled after the federal False Claims Act.

There are also an increasing number of state laws that require manufacturers to make reports to states on pricing and marketing information. Many of these laws contain ambiguities as to what is required to comply with the laws. In addition, as discussed below, beginning in 2013, a similar federal requirement will require manufacturers to track and report to the federal government certain payments made to physicians and teaching hospitals made in the previous calendar year. These laws may affect our sales, marketing, and other promotional activities by imposing administrative and compliance burdens on us. In addition, given the lack of clarity with respect to these laws and their implementation, our reporting actions could be subject to the penalty provisions of the pertinent state, and soon federal, authorities.

Patient Protection and Affordable Health Care Act

In March 2010, the Patient Protection and Affordable Health Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively PPACA, was enacted, which includes measures that have or will significantly change the way health care is financed by both governmental and private insurers. Among the provisions of PPACA of greatest importance to the pharmaceutical industry are the following:

- The Medicaid Drug Rebate Program requires pharmaceutical manufacturers to enter into and have in effect a national rebate agreement with the Secretary of the Department of Health and Human Services as a condition for states to receive federal matching funds for the manufacturer’s outpatient drugs furnished to Medicaid patients. Effective in 2010, PPACA made several changes to the Medicaid Drug Rebate Program, including increasing pharmaceutical manufacturers’ rebate liability by raising the minimum basic Medicaid rebate on most branded prescription drugs and biologic agents from 15.1% of average manufacturer price, or AMP, to 23.1% of AMP and adding a new rebate calculation for “line extensions” (i.e., new formulations, such as extended release formulations) of solid oral dosage forms of branded products, as well as potentially impacting their rebate liability by modifying the statutory definition of AMP. PPACA also expanded the universe of Medicaid utilization subject to drug rebates by requiring pharmaceutical manufacturers to pay rebates on Medicaid managed care utilization as of 2010 and by expanding the population potentially eligible for Medicaid drug benefits, to be phased-in by 2014. CMS has proposed to expand Medicaid rebate liability to the territories of the U.S. as well. In addition, PPACA provides for the public availability of retail survey prices and certain weighted average AMPS under the Medicaid program. The implementation of this requirement by the CMS may also provide for the public availability of pharmacy acquisition cost data, which could negatively impact our sales.
• In order for a pharmaceutical product to receive federal reimbursement under the Medicare Part B and Medicaid programs or to be sold directly to U.S. government agencies, the manufacturer must extend discounts to entities eligible to participate in the 340B drug pricing program. The required 340B discount on a given product is calculated based on the AMP and Medicaid rebate amounts reported by the manufacturer. Effective in 2010, PPACA expanded the types of entities eligible to receive discounted 340B pricing, although, under the current state of the law, with the exception of children’s hospitals, these newly eligible entities will not be eligible to receive discounted 340B pricing on orphan drugs when used for the orphan indication. In addition, as 340B drug pricing is determined based on AMP and Medicaid rebate data, the revisions to the Medicaid rebate formula and AMP definition described above could cause the required 340B discount to increase.

• Effective in 2011, PPACA imposed a requirement on manufacturers of branded drugs and biologic agents to provide a 50% discount off the negotiated price of branded drugs dispensed to Medicare Part D patients in the coverage gap (i.e., “donut hole”).

• Effective in 2011, PPACA imposed an annual, nondeductible fee on any entity that manufactures or imports certain branded prescription drugs and biologic agents, apportioned among these entities according to their market share in certain government healthcare programs, although this fee would not apply to sales of certain products approved exclusively for orphan indications.

• Effective in 2012, PPACA will require pharmaceutical manufacturers to track certain financial arrangements with physicians and teaching hospitals, including any “transfer of value” made or distributed to such entities, as well as any investment interests held by physicians and their immediate family members. Manufacturers will be required to report this information beginning in 2013.

• As of 2010, a new Patient-Centered Outcomes Research Institute was established pursuant to PPACA to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research. The research conducted by the Patient-Centered Outcomes Research Institute may affect the market for certain pharmaceutical products.

• PPACA created the Independent Payment Advisory Board which, beginning in 2014, will have authority to recommend certain changes to the Medicare program to reduce expenditures by the program that could result in reduced payments for prescription drugs. Under certain circumstances, these recommendations will become law unless Congress enacts legislation that will achieve the same or greater Medicare cost savings.

• PPACA established the Center for Medicare and Medicaid Innovation within CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending. Funding has been allocated to support the mission of the Center for Medicare and Medicaid Innovation from 2011 to 2019.

Many of the details regarding the implementation of PPACA are yet to be determined, and at this time, it remains unclear the full effect that PPACA would have on our business.

Other Regulations
We are also subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire hazard control, and disposal of hazardous or potentially hazardous substances. We may incur significant costs to comply with such laws and regulations now or in the future.

Third-Party Reimbursement
Sales of pharmaceutical products depend in significant part on the availability of coverage and adequate reimbursement by third-party payors, such as state and federal governments, including Medicare and Medicaid, and commercial managed care providers. Decisions regarding the extent of coverage and amount of reimbursement to be provided for Patiromer FOS will be made on a plan by plan basis. We anticipate that a significant proportion of patients eligible for Patiromer FOS will be covered by Medicare. Within the Medicare program, as a self-administered drug, we expect that Patiromer FOS will be reimbursed under the expanded prescription drug benefit, known as Medicare Part D.

Employees
As of December 31, 2014, we had 115 full-time employees, including 26 employees with M.D. or Ph.D. degrees. As of that date, 69 employees were engaged in research and development and the remaining 46 employees were engaged in general management and administration, including commercial, finance, legal, human resources, facilities and information technology. None of our employees are represented by labor unions or covered by collective bargaining agreements.

We believe that we maintain good relations with our employees.
About Us

We were incorporated in Delaware in August 2007 under the name Relypsa, Inc. We completed the initial public offering of our common stock in November 2013. Our common stock is currently listed on The NASDAQ Global Select Market under the symbol “RLYP.” We are an “emerging growth company” under the Jumpstart Our Business Startups Act of 2012, and therefore we are subject to reduced public company reporting requirements. Our principal executive offices are located at 100 Cardinal Way, Redwood City, California 94063. Our telephone number is (650) 421-9500. Our website address is www.relypsa.com. The information on, or that can be accessed through, our website is not incorporated by reference into this Annual Report on Form 10-K or any other filings we make with the U.S. Securities and Exchange Commission, or SEC.

Available Information

We make available on or through our website certain reports and amendments to those reports that we file with, or furnish to, the SEC in accordance with the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These include our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. We make this information available on or through our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC. Copies of this information may be obtained at the SEC’s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding our filings, at www.sec.gov . The information on, or that can be accessed through, our website is not incorporated by reference into this Annual Report on Form 10-K or any other filings we make with the SEC.
Our business involves significant risks, some of which are described below. You should carefully consider these risks, as well as the other information in this Annual Report on Form 10-K, including our financial statements and the related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The occurrence of any of the events or developments described below could harm our business, financial condition, results of operations, cash flows, the trading price of our common stock and growth prospects. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business.

Risks Related to Our Limited Operating History, Financial Condition and Capital Requirements

We have a limited operating history, have incurred significant losses since our inception and anticipate that we will continue to incur losses for the foreseeable future. We have had only one product candidate in clinical trials and no commercial sales, which, together with our limited operating history, make it difficult to assess our future viability.

We are a biopharmaceutical company focused on the development and commercialization of non-absorbed polymeric drugs to treat disorders in the areas of renal, cardiovascular and metabolic diseases with a limited operating history. Pharmaceutical product development is a highly speculative undertaking and involves a substantial degree of risk. To date, we have focused principally on developing our lead product candidate, Patiromer for Oral Suspension, or Patiromer FOS, which is our only product to have reached clinical development. We are not profitable and have incurred losses in each year since our inception in August 2007. We have only a limited operating history upon which you can evaluate our business and prospects. In addition, we have limited experience and have not yet demonstrated an ability to successfully overcome many of the risks and uncertainties frequently encountered by companies in new and rapidly evolving fields, particularly in the pharmaceutical industry. We have not generated any revenue from product sales to date. We continue to incur significant research and development and other expenses related to our ongoing operations. Our net loss for the years ended December 31, 2014, 2013 and 2012 was approximately $79.9 million, $73.8 million and $43.7 million, respectively. As of December 31, 2014, we had an accumulated deficit of $305.7 million. We expect to continue to incur losses for at least the next two years as we continue our development of, seek regulatory approval for, and begin to commercialize, Patiromer FOS. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our prior losses, combined with expected future losses, have had and will continue to have an adverse effect on our stockholders’ equity and working capital.

We will require substantial additional financing to achieve our goals, and a failure to obtain this necessary capital when needed on acceptable terms, or at all, could force us to delay, limit, reduce or terminate our product development, other operations or commercialization efforts.

Since our inception, most of our resources have been dedicated to the nonclinical and clinical development of our lead product candidate, Patiromer FOS. As of January 31, 2015, we had capital resources consisting of cash, cash equivalents and short-term investments of $174.5 million. Subsequently, we completed an at-the-market offering of our common stock in February 2015 and an underwritten public offering of our common stock in March 2015 pursuant to which we received additional net proceeds of approximately $170.2 million. We believe that we will continue to expend substantial resources for the foreseeable future as we continue development, seek regulatory approval, and prepare for the commercialization of Patiromer FOS and develop any other product candidates we may choose to pursue. These expenditures will include costs associated with research and development, conducting nonclinical studies and clinical trials, obtaining regulatory approvals, manufacturing and supply, preparing for commercial launch and sales and marketing. In addition, other unanticipated costs may arise. Because the outcome of any clinical trial and/or regulatory approval process is highly uncertain, we cannot reasonably estimate the actual amounts necessary to successfully complete the development, regulatory approval process and commercialization of Patiromer FOS and any future product candidates. We believe that our existing cash, cash equivalents and short-term investments will be sufficient to fund our operations for at least the next 12 months. However, our operating plan may change as a result of many factors, and we may need to seek additional funds sooner than planned, through public or private equity, debt financings or other sources, such as strategic collaborations. Such financing may result in dilution to stockholders, imposition of debt covenants and repayment obligations, or other restrictions that may affect our business. In addition, we may seek additional capital due to favorable market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans.

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

- the time and cost necessary to obtain regulatory approvals for Patiromer FOS and the costs of post-marketing studies that could be required by regulatory authorities;
- the findings of the FDA during their routine inspections of our facilities and the facilities of our contract manufacturers and clinical trial sites during the NDA review process and our ability to promptly and adequately address any such findings;
- the costs of obtaining commercial supplies of Patiromer FOS;
- our ability to successfully commercialize Patiromer FOS;
the manufacturing, selling and marketing costs associated with Patiromer FOS, including the cost and timing of expanding our sales and marketing capabilities;

- the amount of sales and other revenues from Patiromer FOS, if approved, including the sales price and the availability of adequate third-party reimbursement;

- the cash requirements of any future acquisitions or discovery of product candidates;

- our ability to draw down up to $20.0 million in the second tranche of our term loans pursuant to the Amended and Restated Loan and Security Agreement we entered into with our existing lenders in May 2014, which will be available to us beginning on July 1, 2015 and ending on the earlier of (i) December 31, 2015 and (ii) an event of default under the agreement;

- the progress, timing, scope and costs of our nonclinical studies and clinical trials, including the ability to enroll patients in a timely manner for potential future clinical trials;

- the time and cost necessary to respond to technological and market developments; and

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

Additional funds may not be available when we need them, on terms that are acceptable to us, or at all. If adequate funds are not available to us on a timely basis, we may be required to delay, limit, reduce or terminate:

- clinical trials or other development activities for Patiromer FOS or any future product candidate;

- our research and development activities; or

- our establishment of sales and marketing capabilities or other activities that may be necessary to commercialize Patiromer FOS or any future product candidate.

Risks Related to Our Business

We are substantially dependent on the success of our lead product candidate, Patiromer FOS.

To date, we have invested substantially all of our efforts and financial resources in the research, development and potential commercialization of Patiromer FOS, which is currently our lead product candidate and only product candidate to reach clinical trials. Our near-term prospects, including our ability to finance our operations and generate revenue, will depend heavily on FDA approval of Patiromer FOS and its commercial success. The commercial success of Patiromer FOS will depend on a number of factors, including the following:

- the timely review and approval of our NDA for Patiromer FOS by the FDA;

- whether we are required by the FDA to conduct additional clinical trials prior to any approval to market Patiromer FOS;

- the prevalence and severity of adverse side effects of Patiromer FOS;

- our ability to identify, recruit, hire, train, incentivize and retain a commercial and medical affairs organization, including sales representatives, with appropriate technical expertise;

- the ability of our third-party manufacturers to manufacture quantities of Patiromer FOS using commercially sufficient processes and at a scale sufficient to meet anticipated demand and enable us to reduce our cost of manufacturing;

- the ability of our third-party manufacturers to continue to develop, validate and maintain a commercially viable manufacturing process that is compliant with current Good Manufacturing Practices, or cGMPs;

- our ability to ensure that the entire supply chain efficiently and consistently delivers Patiromer FOS to meet anticipated demand in both inpatient and outpatient prescribing settings;

- our ability to effectively execute our plans for potential commercial launch, including, for example, raising awareness regarding the need for hyperkalemia management and the benefits, administration and use of Patiromer FOS, ensuring acceptance of Patiromer FOS as safe and effective by the medical community as well as government and commercial payers, ensuring adoption of Patiromer FOS by target physicians, ensuring healthcare professionals and patients have timely access to Patiromer FOS, ensuring affordability of Patiromer FOS for patients, and developing effective education and support programs to enable patient initiation and adherence;

- achieving and maintaining compliance with all regulatory requirements applicable to Patiromer FOS;

- receiving a product label that allows for the successful promotion of Patiromer FOS;

- access to a sufficient number of target physicians to prescribe Patiromer FOS;
Many of these factors are beyond our control. Accordingly, we cannot be certain that we will ever be able to generate revenue through the sale of Patiromer FOS. If we are not successful in commercializing Patiromer FOS, or are significantly delayed in doing so, our business will be materially harmed.

We may be unable to obtain regulatory approval for Patiromer FOS under applicable regulatory requirements.

To gain approval to market a drug product, we must provide the FDA and foreign regulatory authorities with clinical data that adequately demonstrates the safety and efficacy of the product for the intended indication applied for in the NDA or other respective regulatory filing. Drug development is a long, expensive and uncertain process, and delay or failure can occur at any stage of any of our clinical trials. A number of companies in the biopharmaceutical industry have suffered significant setbacks in, or following, clinical trials even after promising results in earlier nonclinical or clinical studies. These setbacks have been caused by, among other things, nonclinical findings made while clinical studies were underway and safety or efficacy observations made in clinical studies, including previously unreported adverse events. Success in nonclinical testing and early clinical trials does not ensure that later clinical trials will be successful, and the results of clinical trials by other parties may not be indicative of the results in trials we may conduct.

Our business currently depends entirely on the successful development, regulatory approval and commercialization of our lead product candidate, Patiromer FOS. Based on the results of our eight clinical trials, including our Phase 2b and pivotal Phase 3 clinical trials, we submitted our NDA to the FDA in October 2014 seeking marketing approval for the use of Patiromer FOS for the treatment of hyperkalemia and the FDA accepted our NDA for filing in December 2014.

However, Patiromer FOS may not receive marketing approval despite having achieved its specified endpoints in clinical trials. Although the design of our pivotal Phase 3 clinical trial was agreed to under a Special Protocol Assessment, or SPA, with the FDA, the FDA and other foreign regulatory authorities have substantial discretion in evaluating the results of this trial and our earlier trials. For example, notwithstanding our view to the contrary, the FDA may determine that the efficacy data and/or safety data from our Phase 2b and pivotal Phase 3 clinical trials do not support approval of our NDA for Patiromer FOS. Clinical data often is susceptible to varying interpretations and many companies that have believed that their products performed satisfactorily in clinical trials have nonetheless failed to obtain FDA approval for their products. The FDA or foreign regulatory authorities may disagree with our trial design and our interpretation of data from nonclinical studies and clinical trials. Upon the FDA’s review of the data in our NDA, it may request that we conduct additional analyses and, if it believes that such data are not satisfactory, could advise us that Patiromer FOS is not approvable with the filed data package.

Based on these factors, the FDA may request additional information from us, including data from additional clinical and/or non-clinical trials, and, ultimately, may not grant marketing approval for Patiromer FOS.

The denial or delay of regulatory approval for Patiromer FOS would prevent or delay commercialization of Patiromer FOS and adversely impact our ability to generate revenue, our business and our results of operations.

If we do not receive approval of our NDA or foreign marketing authorization for Patiromer FOS, or are significantly delayed in doing so, our business will be materially harmed and we may need to curtail or cease operations. We currently have no drug products approved for sale, and we may never obtain regulatory approval to commercialize Patiromer FOS. The research, testing, manufacturing, labeling, approval, sale, marketing and distribution of drug products are subject to extensive regulation by the FDA and other regulatory authorities in the U.S. and other countries, and such regulations differ from country to country. We are not permitted to market Patiromer FOS in the U.S. until we receive approval of our NDA from the FDA.
The FDA or any applicable foreign regulatory bodies can delay, limit or deny approval to market Patiromer FOS for many reasons, including:

- our inability to demonstrate to the satisfaction of the FDA or the applicable foreign regulatory body that Patiromer FOS is safe and effective for the requested indication;
- the FDA’s or the applicable foreign regulatory agency’s disagreement with the interpretation of data from nonclinical studies or clinical trials;
- our inability to demonstrate that the clinical and other benefits of Patiromer FOS outweigh any safety or other perceived risks;
- the FDA’s or the applicable foreign regulatory agency’s requirement for additional nonclinical or clinical studies;
- the FDA’s or the applicable foreign regulatory agency’s non-approval of the formulation, labeling and/or the specifications of Patiromer FOS;
- the FDA’s or the applicable foreign regulatory agency’s failure to approve our processes/systems at our corporate facility, or the manufacturing processes or third-party manufacturers with which we contract, which will also be inspected by the FDA in connection with the review of our NDA; or
- the potential for approval policies or regulations of the FDA or the applicable foreign regulatory agencies to significantly change in a manner rendering our clinical data insufficient for approval.

Of the large number of drugs in development, only a small percentage successfully complete the FDA or other regulatory approval processes and are commercialized.

Even if we receive approval of our NDA or foreign marketing authorization for Patiromer FOS, the FDA or the applicable foreign regulatory agency may grant approval contingent on the performance of costly additional clinical trials which may be required after approval. The FDA or the applicable foreign regulatory agency may also approve Patiromer FOS for a more limited indication and/or a narrower patient population than we originally request, and the FDA, or applicable foreign regulatory agency, may not approve the labeling that we believe is necessary or desirable for the successful commercialization of Patiromer FOS. Any delay in obtaining, or inability to obtain, applicable regulatory approval would delay or prevent commercialization of Patiromer FOS and would have a material adverse impact on our business and prospects.

We currently have limited commercial and medical affairs capabilities and no sales capabilities. If we are unable to build these capabilities on our own or through third parties, we will not be able to successfully commercialize Patiromer FOS, if approved, or any future product candidates or generate product revenue.

We currently have limited commercial and medical affairs capabilities and no sales capabilities, and we have no experience commercializing a pharmaceutical product. Our ability to build effective commercial, medical affairs, marketing, sales, market access, managerial and other non-technical capabilities will depend on a number of factors, including our ability to:

- identify, recruit, hire, train, incentivize and retain a significant number of commercial and medical affairs personnel, including a specialty sales force with appropriate technical expertise;
- train our sales representatives, who will have no prior experience with our company or Patiromer FOS, to deliver clear and compelling messages regarding Patiromer FOS and to be credible and persuasive in educating physicians on the appropriate situations to consider prescribing it;
- ensure our commercial customer-facing team, including sales, market access, and field logistics professionals, effectively build relationships with their respective customers;
- manage a geographically dispersed national commercial customer-facing organization; and
- manage our significant projected growth and the integration of new personnel.

Building our commercial and medical affairs capabilities may be more expensive and time consuming than we anticipate, requiring us to divert resources from other intended purposes or preventing us from building these capabilities to the desired levels. Any failure or delay in building these capabilities will adversely impact the successful commercialization of Patiromer FOS or any future product candidate.

In addition, given our lack of prior experience in marketing, selling and distributing pharmaceutical products, our initial specialty sales force may be materially less than the actual number of sales representatives required to successfully commercialize Patiromer FOS. As such, we may be required to hire substantially more sales representatives to adequately support the commercialization of Patiromer FOS. We may choose to collaborate with third parties that have direct sales forces and established distribution systems, either to augment our own sales force and distribution systems or in lieu of our own sales force and distribution systems. If we are unable to
enter into such arrangements on acceptable terms or at all, we may not be able to successfully commercialize Patiromer FOS, and any such arrangements may result in lower product revenue than if we directly sold and distributed Patiromer FOS and some or all of the product revenue we receive will depend upon the efforts of third parties, and these efforts may not be successful. If we are unable to build our commercial and medical affairs capabilities, either on our own or through collaborations with one or more third parties, we may be unable to successfully commercialize Patiromer FOS or any future product candidate, and our revenue will suffer and we will incur significant additional losses.

Clinical drug development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results.

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Furthermore, we rely on contract research organizations, or CROs, and clinical trial sites to ensure the proper and timely conduct of our clinical trials and, while we have agreements governing their committed activities, we have limited influence over their actual performance. Failure can occur at any time during the clinical trial process. The results of nonclinical and clinical studies of our product candidates may not be predictive of the results of later-stage clinical trials. For example, the positive results generated to date in clinical studies for Patiromer FOS do not ensure that future clinical trials will demonstrate similar results. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy despite having progressed through nonclinical studies and initial clinical trials. A number of companies in the pharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier studies, and we cannot be certain that we will not face similar setbacks. Even if our clinical trials are completed, the results may not be sufficient to obtain regulatory approval for our product candidates.

In addition, under the Pediatric Research Equity Act of 2003, as amended and reauthorized by the Food and Drug Administration Amendments Act of 2007, an NDA or supplement to an NDA must contain data that are adequate to assess the safety and effectiveness of the drug for the claimed indications in all relevant pediatric subpopulations, and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FDA may, on its own initiative or at the request of the applicant, grant deferrals for submission of some or all pediatric data until after approval of the product for use in adults, or full or partial waivers from the pediatric data requirements. As part of our NDA for Patiromer FOS, we requested a partial waiver and deferral for submission of pediatric data until after approval of Patiromer FOS for use in adults.

We do not know whether future clinical trials will begin on time, need to be redesigned, enroll an adequate number of patients on time or be completed on schedule, if at all. Clinical trials can be delayed or aborted for a variety of reasons, including delay or failure to:

- obtain regulatory approval to commence a trial, if applicable;
- reach agreement on acceptable terms with prospective CROs and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- obtain institutional review board, or IRB, approval at each site;
- recruit suitable patients to participate in a trial;
- have patients complete a trial or return for post-treatment follow-up;
- ensure that clinical sites observe trial protocol or continue to participate in a trial;
- address any patient safety concerns that arise during the course of a trial;
- address any conflicts with new or existing laws or regulations;
- initiate or add a sufficient number of clinical trial sites; or
- manufacture sufficient quantities of product candidate for use in clinical trials.

Patient enrollment is a significant factor in the timing of clinical trials and is affected by many factors, including the size and nature of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial, the design of the clinical trial, competing clinical trials and clinicians’ and patients’ perceptions as to the potential advantages of the drug being studied in relation to other available therapies, including any new drugs or treatments that may be approved for the indications we are investigating.

We could also encounter delays if a clinical trial is suspended or terminated by us, by the IRBs of the institutions in which such trials are being conducted, by an independent Safety Review Board for such trial or by the FDA or other regulatory authorities. Such authorities may suspend or terminate a clinical trial due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the FDA or other regulatory authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a drug, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial.
Further, conducting clinical trials in foreign countries, as we have historically done, presents additional risks that may delay completion of our clinical trials. These risks include the failure of physicians or enrolled patients in foreign countries to adhere to clinical protocols as a result of differences in healthcare services or cultural customs, managing additional administrative burdens associated with foreign regulatory schemes, as well as political and economic risks relevant to such foreign countries. In addition, the FDA may determine that our clinical trial results obtained in foreign subjects do not represent the safety and efficacy of Patiromer FOS when administered in US patients and are thus not supportive of our NDA approval in the US.

If we experience delays in the completion of, or termination of, any clinical trial of our product candidates, the commercial prospects of our product candidates may be harmed, and our ability to generate product revenues from any of these product candidates will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process and jeopardize our ability to commence product sales and generate revenues. Any of these occurrences may significantly harm our business, financial condition and prospects. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates.

We rely on third parties to conduct some of our nonclinical studies and all of our clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may be unable to obtain regulatory approval for or commercialize Patiromer FOS or any future product candidates.

We do not have the ability to independently conduct clinical trials and, in some cases, nonclinical studies. We rely on medical institutions, clinical investigators, contract laboratories, collaborative partners and other third parties, such as CROs, to conduct clinical trials on our drug candidates. The third parties with whom we contract for execution of our clinical trials play a significant role in the conduct of these trials and the subsequent collection and analysis of data. However, these third parties are not our employees, and except for contractual duties and obligations, we have limited ability to control the amount or timing of resources that they devote to our programs. Although we rely on these third parties to conduct some of our nonclinical studies and all of our clinical trials, we remain responsible for ensuring that each of our nonclinical studies and clinical trials is conducted in accordance with its investigational plan and protocol. Moreover, the FDA and foreign regulatory authorities require us to comply with regulations and standards, including some regulations commonly referred to as good clinical practices, or cGCPs, for conducting, monitoring, recording and reporting the results of clinical trials to ensure that the data and results are scientifically credible and accurate, and that the trial subjects are adequately informed of the potential risks of participating in clinical trials.

In addition, the execution of nonclinical studies and clinical trials, and the subsequent compilation and analysis of the data produced, requires coordination among various parties. In order for these functions to be carried out effectively and efficiently, it is imperative that these parties communicate and coordinate with one another. Moreover, these third parties may also have relationships with other commercial entities, some of which may compete with us. These third parties may terminate their agreements with us upon as little as 30 days’ prior written notice. Some of these agreements may also be terminated by such third parties under certain other circumstances, including our insolvency. If the third parties conducting our clinical trials do not perform their contractual duties or obligations, experience work stoppages, do not meet expected deadlines, terminate their agreements with us or need to be replaced, or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical trial protocols or GCPs, or for any other reason, we may need to enter into new arrangements with alternative third parties, which could be difficult, costly or impossible, and our clinical trials may be extended, delayed or terminated or may need to be repeated. If any of the foregoing were to occur, we may not be able to obtain regulatory approval for or commercialize the product candidate being tested in such trials.

We rely completely on third-party suppliers to manufacture our clinical drug supply of Patiromer FOS, and we intend to rely on third parties to produce commercial supply of Patiromer FOS and nonclinical, clinical and commercial supplies of any future product candidate.

We do not currently have, nor do we plan to acquire, the infrastructure or internal capability to produce our commercial supply of Patiromer FOS and we lack the internal resources and the capability to manufacture any product candidates on a nonclinical, clinical or commercial scale. The FDA and other comparable foreign regulatory agencies must, pursuant to inspections that will be conducted now that our NDA has been accepted for filing or after we submit relevant foreign regulatory applications, approve our contract manufacturers to manufacture the active pharmaceutical ingredient and final drug product for Patiromer FOS, or any future product candidates.

We do not directly control the manufacturing of, and are completely dependent on, our contract manufacturers for compliance with the cGMP for manufacture of both active drug substances and finished drug products. If our contract manufacturers cannot successfully manufacture material that conforms to our specifications and the strict regulatory requirements of the FDA or foreign regulatory agencies, they will not be able to secure and/or maintain regulatory approval for their manufacturing facilities. In addition, we have no direct control over the ability of our contract manufacturers to maintain adequate quality control, quality assurance and qualified personnel. Furthermore, all of our contract manufacturers are engaged with other companies to supply and/or manufacture materials or products for such companies, which exposes our manufacturers to regulatory risks for the production of such materials and products. As a result, failure to meet the regulatory requirements for the production of those materials and products may generally affect the
regulatory clearance of our contract manufacturers’ facility. If the FDA or a comparable foreign regulatory agency does not approve these facilities for the manufacture of our product candidates or if it withdraws its approval in the future, we may need to find alternative manufacturing facilities, which would negatively impact our ability to develop, obtain regulatory approval for or market our product candidates, if approved.

We and our third-party suppliers continue to refine and improve the manufacturing process, certain aspects of which are complex and unique, and we may encounter difficulties with new or existing processes, particularly as we seek to significantly increase our capacity to commercialize Patiromer FOS. For example, we have analyzed the impurities identified in the manufactured registration batches of Patiromer FOS and we believe the levels of impurities, including the levels of genotoxic and special toxicological concern impurities, are below the suggested guidance recommendations; however, toxicological assessments might change based on our future findings. Our reliance on contract manufacturers also exposes us to the possibility that they, or third parties with access to their facilities, will have access to and may appropriate our trade secrets or other proprietary information.

Our current drug substance is acquired from only two suppliers and our finished drug product is acquired from a single-source supplier. The loss of these suppliers, or their failure to supply us with the drug substance or the finished drug product, would materially and adversely affect our business.

We currently operate under a multi-year Manufacturing and Supply Agreement with Lanxess Corporation, or Lanxess, and a multi-year Manufacturing and Supply Agreement with DPx Fine Chemicals Austria GmbH & Co KG, or DPx Fine Chemicals Austria NFG GMBH & Co. KG, for the manufacture and supply of drug substance. However, we do not currently have additional suppliers of drug substance under contract, and we have submitted only Lanxess as a drug substance supplier with our NDA for Patiromer FOS. We currently operate under a multi-year Supply Agreement with Patheon Inc., or Patheon, for the manufacture and supply of finished drug product. However, we do not have an alternative supplier of finished drug product under contract, and we have submitted only Patheon as a finished drug product supplier with our NDA for Patiromer FOS. Although we have entered into long-term commercial supply agreements with Lanxess, DPx Fine Chemicals and Patheon, we may be unable to do so with alternative suppliers and manufacturers or do so on commercially reasonable terms, which would have a material adverse impact upon our business.

In addition, we currently rely on our contract manufacturers to purchase from third-party suppliers the materials necessary to produce Patiromer FOS, including all of the starting/raw materials and excipient, such as methyl-2-fluoro-acrylate monomer, or MFA. We do not have direct control over the acquisition of those materials by our contract manufacturers. Moreover, outside of our drug substance suppliers, we currently do not have any agreements for the commercial production of those materials.

We are dependent on the approval of additional drug substance and drug product suppliers to ensure sufficient supply to meet our anticipated market demand and to reduce the manufacturing cost of Patiromer FOS. Our inability to obtain approval for additional suppliers and/or the inability of our suppliers to achieve larger scale production, would materially and adversely affect our business.

Polymeric-based drugs like Patiromer FOS generally require large quantities of drug substance, as compared to small molecule drugs. Thus, we will require larger scale and/or multiple suppliers of drug substance and drug product in order to produce sufficient quantities of Patiromer FOS to meet our anticipated market demand. Our current suppliers of drug substance, Lanxess and DPx Fine Chemicals, do not currently have the capacity to manufacture Patiromer FOS in the quantities that we believe will be sufficient to meet anticipated market demand. Our business plan assumes that we are able to develop a supply chain with multiple suppliers and significantly decrease our cost of goods within the first several years of commercialization of Patiromer FOS, enabling us to achieve gross margins similar to those achieved by other companies that produce non-absorbed polymeric drugs. If we are unable to reduce the manufacturing cost of Patiromer FOS, our operating results will suffer and our ability to achieve profitability will be significantly jeopardized.

Because we submitted our NDA with single source suppliers for drug substance and drug product, we will need to obtain approval from the FDA for these additional suppliers, including approval for the testing necessary to prove equivalence of drug substance and product produced by the additional suppliers. Further, we are dependent on our drug substance and product suppliers to be able to fully scale up the production of Patiromer FOS as well as validate certain process improvements in order to reach the quantities we anticipate needing.

We are also dependent upon the appropriate sourcing of starting/raw material, including large quantities, measured in metric tons, of MFA. While we believe there are multiple alternative suppliers of MFA, we will need our drug substance suppliers to qualify these alternate MFA suppliers to prevent a possible disruption of the manufacture of the starting materials necessary to produce Patiromer FOS. If our drug substance manufacturer is unable to source, or we are unable to purchase, MFA on acceptable terms, of sufficient quality, and in adequate quantities, if at all, the ability of Patiromer FOS to reach its market potential, or any future product candidates to be launched would be delayed or there would be a shortage in supply, which would impair our ability to generate revenues from the sale of Patiromer FOS or any future product candidates.
If there is a disruption to our contract manufacturers’ or suppliers’ relevant operations, we will have no other means of producing Patiromer FOS until they restore the affected facilities or we or they procure alternative manufacturing facilities. Additionally, any damage to or destruction of our contract manufacturers’ or suppliers’ facilities or equipment may significantly impair our ability to manufacture Patiromer FOS on a timely basis.

**If we fail to establish an effective distribution process utilizing cold chain logistics for Patiromer FOS, our business may be adversely affected.**

We do not currently have the infrastructure necessary for distributing pharmaceutical products to patients. We have contracted with a third-party logistics company to warehouse these products and distribute them to pharmacies and wholesale distributors who will supply Patiromer FOS to the market. We will require that Patiromer FOS be maintained at a controlled refrigerated temperature throughout the distribution chain. This distribution chain will require significant coordination among our manufacturing, supply-chain and finance teams, as well as commercial departments, including market access, sales, and marketing. In addition, failure to secure contracts with appropriate pharmacy providers and/or wholesale distributors could negatively impact the distribution of Patiromer FOS, and failure to coordinate financial systems could negatively impact our ability to accurately report product revenue. If we are unable to effectively establish and manage the distribution process, the commercial launch and sales of Patiromer FOS will be delayed or severely compromised and our results of operations may be harmed.

In addition, the use of cold chain logistics and a distribution network for Patiromer FOS involves certain risks, including, but not limited to, risks that distributors or pharmacies may:

- not effectively manage inventory creating delays in product fulfillment to patients or hospitals and/or inventory loss;
- not provide us with accurate or timely information regarding their inventories, the number of patients who are using Patiromer FOS, or any product related complaints;
- not effectively sell or support Patiromer FOS with sufficient cold storage or accordance with class of trade rules;
- reduce or discontinue their efforts to sell or support Patiromer FOS;
- not devote the resources necessary to sell Patiromer FOS in the volumes and within the time frames that we expect;
- be unable to satisfy financial obligations to us or others; or
- cease operations.

Patiromer FOS has a limited room temperature shelf life, and if we do not effectively maintain our cold chain supply logistics, then we may experience an unusual number of product returns or out of date product. Any such failure may result in decreased product sales and lower product revenue, which would harm our business.

**Even if Patiromer FOS or any future product candidates obtain regulatory approval, they may never achieve market acceptance or commercial success, which will depend, in part, upon the degree of acceptance among physicians, patients, patient advocacy groups, health care payers and the medical community.**

Even if we obtain FDA or other regulatory approvals, Patiromer FOS or any future product candidates may not achieve market acceptance among physicians and patients, and may not be commercially successful. Patiromer FOS may not gain market acceptance among physicians, patients, patient advocacy groups, health care payers and the medical community. Market acceptance of Patiromer FOS or any future product candidates for which we receive approval depends on a number of factors, including:

- the efficacy of the product as demonstrated in clinical trials;
- the prevalence and severity of any side effects and overall safety profile of the product;
- the clinical indications for which the product is approved;
- advantages over existing therapies, such as, in the case of Patiromer FOS, sodium polystyrene sulfonate (e.g., Kayexalate®) and competitive products that may receive regulatory approval in the future;
- acceptance by physicians and patients of the product as a safe and effective chronic daily treatment;
- relative convenience and ease of administration of our products;
- the potential and perceived advantages of our product candidates over current treatment options or alternative treatments, including future alternative treatments;
- the cost of treatment in relation to alternative treatments and willingness to pay for our products, if approved, on the part of payers and patients;
- relative convenience and ease of administration;
Any failure by our product candidates that obtain regulatory approval to achieve market acceptance or commercial success would adversely affect our results of operations.

**Patiromer FOS, if approved, may face significant competition and our failure to effectively compete may prevent us from achieving significant market penetration.**

The pharmaceutical market is highly competitive and dynamic, and is characterized by rapid and substantial technological development and product innovations. We are seeking regulatory approval of Patiromer FOS for the treatment of hyperkalemia. While current options for the chronic management of hyperkalemia are limited, we expect to compete against well-known treatment options, including sodium polystyrene sulfonate (e.g., Kayexalate®). In addition, ZS Pharma, Inc., or ZS Pharma, is developing a zirconium silicate particle to treat hyperkalemia referred to as ZS-9, which recently completed a pivotal Phase 3 clinical trial. ZS Pharma has announced that it intends to submit a NDA for ZS-9 to the FDA in the first half of 2015. In order to compete successfully in this market, we will have to demonstrate that the treatment of hyperkalemia with Patiromer FOS is worthwhile and is a superior alternative to existing or new therapies for hyperkalemia.

We face significant competition from many pharmaceutical and biotechnology companies that are also researching and selling products designed to address these markets. Many of our competitors have materially greater financial, manufacturing, marketing, research and drug development resources than we do. Large pharmaceutical companies in particular have extensive expertise in nonclinical and clinical testing and in obtaining regulatory approvals for drugs. In addition, academic institutions, government agencies, and other public and private organizations conducting research may seek patent protection with respect to potentially competitive products or technologies. These organizations may also establish exclusive collaborative or licensing relationships with our competitors.

Failure to effectively compete against established treatment options for hyperkalemia or in the future with new products currently in development would harm our business, financial condition and results of operations.

**If we fail to obtain and sustain an adequate level of payer formulary access and/or reimbursement for our products, sales would be adversely affected.**

We expect patients who have hyperkalemia to need treatment with Patiromer FOS throughout their lifetimes, but anticipate that most patients will not be capable of paying for the entire cost of treatment themselves. There will be no commercially viable market for Patiromer FOS without formulary access and reimbursement from third-party government and commercial payers. Additionally, even if there is a commercially viable market, if the level of access and/or reimbursement is below our expectations, our revenue and gross margins will be adversely affected.

Obtaining formulary approval can be an expensive and time-consuming process. We cannot be certain if and when we will obtain formulary approval to allow us to sell Patiromer FOS or any future products into our target markets. Even if we do obtain formulary approval, third-party payers, such as government or private health care insurers, carefully review and increasingly question the coverage of, and challenge the prices charged for, drugs. Reimbursement rates from private health insurance companies vary depending on the company, the insurance plan and other factors. A current trend in the U.S. health care industry is toward cost containment. Large government and commercial payers and pharmacy benefits managers are exerting increasing influence on decisions regarding the use of and access to particular treatments. Such third-party payers, including Medicare, are questioning the coverage of, and challenging the prices charged for medical products, and many third-party payers limit coverage of, or reimbursement for, newly approved health care products.

Cost-control initiatives could decrease the price we might establish for products, which could result in product revenues being lower than anticipated. If the prices for our products decrease or if governmental and other third-party payers do not provide adequate coverage and reimbursement levels, our revenue and prospects for profitability will suffer. Reimbursement systems in international markets vary significantly by country and by region, and reimbursement approvals must be obtained on a country-by-country basis.

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**Our clinical drug development program may not uncover all possible adverse events that patients who take Patiromer FOS may experience. The number of subjects exposed to Patiromer FOS treatment and the average exposure time in the clinical development program may be inadequate to detect rare adverse events, or chance findings, that may only be detected after Patiromer FOS is administered to more patients and for greater periods of time.**

Clinical trials by their nature utilize a sample of the potential patient population. However, with a limited number of subjects and limited duration of exposure, we cannot be fully assured that rare and severe side effects of Patiromer FOS may not be uncovered after a significantly larger number of patients are exposed to the drug. Further, we have not designed our clinical trials to determine the effect and safety consequences on total body potassium levels of lowering serum potassium over a multi-year period or to measure the safety of immediate reductions in serum potassium.

Although we have monitored the subjects in our studies for certain safety concerns and we have not seen evidence of significant safety concerns in our clinical trials, patients treated with Patiromer FOS, if approved, may experience adverse reactions. For example, we have seen some reductions in blood pressure in some of our clinical trials, which can lead to hypotension, and some reductions in serum magnesium in some patients in our clinical trials, which can lead to weakness, muscle cramps, cardiac arrhythmia, increased irritability of the nervous system with tremors and jerking, confusion or seizures.

Although we have not seen any evidence of these reductions causing a safety concern in our clinical programs, it is possible that the FDA may ask for additional data regarding such matters. Further, a degradant of Patiromer FOS is calcium fluoride, which may lead to increased levels of fluoride in patients who take Patiromer FOS. Although none of the symptoms associated with acute fluoride toxicity have been reported in Patiromer FOS clinical studies, patients may experience this side effect. If safety problems occur or are identified after Patiromer FOS reaches the market, the FDA may require that we amend the labeling of Patiromer FOS, recall Patiromer FOS, or even withdraw approval for Patiromer FOS.

**If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of Patiromer FOS or any future product candidates.**

We face an inherent risk of product liability as a result of the clinical testing of our product candidates and will face an even greater risk if we commercialize any products. For example, we may be sued if any product we develop allegedly causes injury or is found to be otherwise unsuitable during product testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability, and a breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our product candidates. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for Patiromer FOS or any future product candidates;
- injury to our reputation;
- withdrawal of clinical trial participants;
- costs to defend the related litigation;
- a diversion of management’s time and resources;
- substantial monetary awards to trial participants or patients;
- regulatory investigations, product recalls or withdrawals, or labeling, marketing or promotional restrictions;
- loss of revenue; and
- the inability to commercialize Patiromer FOS or any future product candidates.

Our inability to obtain and maintain sufficient product liability insurance at an acceptable cost and scope of coverage to protect against potential product liability claims could prevent or inhibit the commercialization of Patiromer FOS or any future products we develop. We currently carry product liability insurance covering use in our clinical trials in the amount of $5.0 million for each occurrence and $5.0 million in the aggregate. Although we maintain such insurance, any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. Our insurance policies also have various exclusions and deductibles, and we may be subject to a product liability claim for which we have no coverage. We will have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts. Moreover, in the future, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses. If and when we obtain approval for marketing Patiromer FOS, we intend to expand our insurance coverage to include the sale of Patiromer FOS. However, we may be unable to obtain this liability insurance on commercially reasonable terms.
We will need to significantly increase the size of our organization, and we may experience difficulties in achieving and managing our projected growth.

As of December 31, 2014, we had 115 full-time employees. We will need to significantly increase the size of our organization, including our commercial personnel, in order to manage our operations, regulatory filings, manufacturing and supply activities, clinical trials and commercialization activities. Our need to effectively execute our growth strategy requires that we:

- expand our general and administrative and sales and marketing organizations;
- identify, recruit, hire, train, incentivize, retain and integrate a significant number of additional employees;
- manage our internal development efforts effectively while carrying out our contractual obligations to third parties; and
- continue to improve our operational, legal, financial and management controls, reporting systems and procedures.

Our management, personnel, systems and facilities currently in place may not be adequate to achieve and manage our projected growth.

If we fail to attract and retain senior management, we may be unable to successfully develop Patiromer FOS or any future product candidates, conduct our clinical trials and commercialize Patiromer FOS or any future product candidates.

Our success depends in part on our continued ability to attract, retain and motivate highly qualified personnel. In particular, we are highly dependent upon our experienced senior management. The loss of services of any of these individuals could delay or prevent the successful development of our product pipeline, completion of our planned clinical trials or the commercialization of Patiromer FOS or any future product candidates. Although we have entered into employment agreements with our senior management team, these agreements do not provide for a fixed term of service.

Although we have not historically experienced unique difficulties attracting and retaining qualified employees, we could experience such problems in the future. In addition, competition for qualified personnel in the biotechnology and pharmaceuticals field is intense due to the limited number of individuals who possess the skills and experience required by our industry. We will need to hire additional personnel as we expand our clinical development and commercial activities. We may not be able to attract and retain quality personnel on acceptable terms, or at all. In addition, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited or that they have divulged proprietary or other confidential information, or that their former employers own their research output.

Significant disruptions of information technology systems or breaches of data security could adversely affect our business.

Our business is increasingly dependent on critical, complex and interdependent information technology systems to support business processes as well as internal and external communications. The size and complexity of our computer systems make them vulnerable to breakdown, malicious intrusion and computer viruses. We have developed systems and processes that are designed to protect our information and prevent data loss and other security breaches, including systems and processes designed to reduce the impact of a security breach; however, such measures cannot provide absolute security, and we have taken, and will take, additional security measures to protect against any future intrusion. Any failure to protect against breakdowns, malicious intrusions and computer viruses may result in the impairment of production and key business processes. In addition, our systems are potentially vulnerable to data security breaches, whether by employees or others, which may expose sensitive data to unauthorized persons. Such data security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information of our employees, clinical trial patients, customers, and others. Such disruptions and breaches of security could expose us to liability and have a material adverse effect on the operating results and financial condition of our business.

Our loan and security agreements contain restrictions that limit our flexibility in operating our business.

Our loan and security agreements contain various covenants that limit our ability to engage in specified types of transactions without our lenders’ prior consent. These covenants limit our ability to, among other things:

- sell, transfer, lease or dispose of our assets;
- create, incur or assume additional indebtedness;
- encumber or permit liens on certain of our assets;
- make restricted payments, including paying dividends on, repurchasing or making distributions with respect to our common stock;
- make specified investments (including loans and advances);
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; and
The covenants in our loan and security agreements may limit our ability to take certain actions and, in the event that we breach one or more covenants, our lenders may choose to declare an event of default and require that we immediately repay all amounts outstanding, plus penalties and interest, terminate their commitments to extend further credit and foreclose on the collateral granted to them to secure such indebtedness. Such repayment could have a material adverse effect on our business, operating results and financial condition.

We incur significant costs as a result of operating as a public company, and our management will devote substantial time to compliance initiatives. We may fail to comply with the rules that apply to public companies, including Section 404 of the Sarbanes-Oxley Act of 2002, which could result in sanctions or other penalties that would harm our business.

We incur significant legal, accounting and other expenses as a public company, including costs resulting from public company reporting obligations under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and regulations regarding corporate governance practices. The listing requirements of The NASDAQ Global Select Market require that we satisfy certain corporate governance requirements relating to director independence, distributing annual and interim reports, stockholder meetings, approvals and voting, soliciting proxies, conflicts of interest and a code of conduct. Our management and other personnel must devote a substantial amount of time to ensure that we maintain compliance with all of these requirements. Moreover, the reporting requirements, rules and regulations will increase our legal and financial compliance costs and make some activities more time consuming and costly. Any changes we make to comply with these obligations may not be sufficient to allow us to satisfy our obligations as a public company on a timely basis, or at all. These reporting requirements, rules and regulations, coupled with the increase in potential litigation exposure associated with being a public company, may also make it more difficult for us to attract and retain qualified persons to serve on our board of directors or board committees or to serve as executive officers, or to obtain certain types of insurance, including directors’ and officers’ insurance, on acceptable terms.

In addition, we expect that we will need to implement an enterprise resource planning, or ERP, system for our company. An ERP system is intended to combine and streamline the management of our financial, accounting, human resources, sales and marketing and other functions, enabling us to manage operations and track performance more effectively. However, an ERP system would likely require us to complete many processes and procedures for the effective use of the system or to run our business using the system, which may result in substantial costs. Any disruptions or difficulties in implementing or using an ERP system could adversely affect our controls and harm our business, including our ability to forecast or make sales and collect our receivables. Moreover, such disruption or difficulties could result in unanticipated costs and diversion of management attention.

We are subject to Section 404 of The Sarbanes-Oxley Act of 2002, or Section 404, and the related rules of the Securities and Exchange Commission, or SEC, which generally require our management and independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting. Beginning with the year ended December 31, 2014, Section 404 requires an annual management assessment of the effectiveness of our internal control over financial reporting. However, for so long as we remain an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404. Once we are no longer an emerging growth company or, if prior to such date, we opt to no longer take advantage of the applicable exemption, we will be required to include an opinion from our independent registered public accounting firm on the effectiveness of our internal controls over financial reporting. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year following the fifth anniversary of the completion of our initial public offering of our common stock, or IPO (December 31, 2018), (b) in which we have total annual gross revenue of at least $1.0 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the prior June 30th, and (2) the date on which we have issued more than an aggregate of $1.0 billion in non-convertible debt during the prior three-year period.

During the course of our review and testing, we may identify deficiencies and be unable to remediate them before we must provide the required reports. Furthermore, if we have a material weakness in our internal controls over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We or our independent registered public accounting firm may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting, which could harm our operating results, cause investors to lose confidence in our reported financial information and cause the trading price of our stock to fall. In addition, as a public company we are required to file accurate and timely quarterly and annual reports with the SEC under the Exchange Act. Any failure to report our financial results on an accurate and timely basis could result in sanctions, lawsuits, delisting of our shares from The NASDAQ Global Select Market or other adverse consequences that would materially harm our business.
If we are not successful in discovering, developing, acquiring or commercializing additional product candidates, our ability to expand our business and achieve our strategic objectives would be impaired.

Although a substantial amount of our effort will focus on the continued clinical testing, potential approval and commercialization of Patiromer FOS, a key element of our strategy is to discover, develop and commercialize a portfolio of products utilizing proprietary discovery and development technology. We are seeking to do so through our internal research programs and/or by selectively pursuing commercially synergistic in-licensing or acquisition of additional compounds. All of our other potential product candidates remain in the discovery stage. Research programs to identify product candidates require substantial technical, financial and human resources, whether or not any product candidates are ultimately identified. Our research programs may initially show promise in identifying potential product candidates, yet fail to yield product candidates for clinical development for many reasons, including the following:

- the research methodology used may not be successful in identifying potential product candidates;
- competitors may develop alternatives that render our product candidates obsolete or less attractive;
- product candidates we develop may nevertheless be covered by third parties’ patents or other exclusive rights;
- the market for a product candidate may change during our program so that such a product may become unreasonable to continue to develop;
- a product candidate may on further study be shown to have harmful side effects or other characteristics that indicate it is unlikely to be effective or otherwise does not meet applicable regulatory criteria;
- a product candidate may not be capable of being produced in commercial quantities at an acceptable cost, or at all; and
- a product candidate may not be accepted as safe and effective by patients, the medical community or third-party payers, if applicable.

If we fail to develop and successfully commercialize other product candidates, our business and future prospects may be harmed and our business will be more vulnerable to any problems that we encounter in developing and commercializing Patiromer FOS.

Any collaboration arrangements that we may enter into in the future may not be successful, which could adversely affect our ability to develop and commercialize Patiromer FOS and potential future product candidates.

We may seek collaboration arrangements with pharmaceutical or biotechnology companies for the development or commercialization of Patiromer FOS and potential future product candidates. We may enter into these arrangements on a selective basis depending on the merits of retaining commercialization rights for ourselves as compared to entering into selective collaboration arrangements with leading pharmaceutical or biotechnology companies for our product candidates, both in the U.S. and internationally. We will face, to the extent that we decide to enter into collaboration agreements, significant competition in seeking appropriate collaborators. Moreover, collaboration arrangements are complex and time consuming to negotiate, document and implement. We may not be successful in our efforts to establish and implement collaborations or other alternative arrangements should we so chose to enter into such arrangements. The terms of any collaborations or other arrangements that we may establish may not be favorable to us.

Any future collaborations that we enter into may not be successful. The success of our collaboration arrangements will depend heavily on the efforts and activities of our collaborators. Collaborators generally have significant discretion in determining the efforts and resources that they will apply to these collaborations.

Disagreements between parties to a collaboration arrangement regarding clinical development and commercialization matters can lead to delays in the development process or commercializing the applicable product candidate and, in some cases, termination of the collaboration arrangement. These disagreements can be difficult to resolve if neither of the parties has final decision-making authority.

Collaborations with pharmaceutical or biotechnology companies and other third parties often are terminated or allowed to expire by the other party. Any such termination or expiration would adversely affect us financially and could harm our business reputation.

If we engage in acquisitions, we will incur a variety of costs and we may never realize the anticipated benefits of such acquisitions.

Although we currently have no intent to do so, we may attempt to acquire businesses, technologies, services, products or product candidates that we believe are a strategic fit with our business. If we do undertake any acquisitions, the process of integrating an acquired business, technology, service, products or product candidates into our business may result in unforeseen operating difficulties and expenditures, including diversion of resources and management’s attention from our core business. In addition, we may fail to retain key executives and employees of the companies we acquire, which may reduce the value of the acquisition or give rise to additional integration costs. Future acquisitions could result in additional issuances of equity securities that would dilute the ownership of existing stockholders. Future acquisitions could also result in the incurrence of debt, contingent liabilities or the amortization of expenses related to other intangible assets, any of which could adversely affect our operating results. In addition, we may fail to realize the anticipated benefits of any acquisition.
If we seek and obtain approval to commercialize Patiromer FOS outside of the U.S., a variety of risks associated with international operations could materially adversely affect our business.

If Patiromer FOS is approved for commercialization outside the U.S., we may enter into agreements with third parties to market Patiromer FOS outside the U.S. We expect that we will be subject to additional risks related to entering into these international business relationships, including:

- different regulatory requirements for drug approvals in foreign countries;
- differing U.S. and foreign drug import and export rules;
- reduced protection for intellectual property rights in foreign countries;
- unexpected changes in tariffs, trade barriers and regulatory requirements;
- different reimbursement systems, and different competitive drugs indicated to treat hyperkalemia;
- economic weakness, including inflation, or political instability in particular foreign economies and markets;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad;
- foreign taxes, including withholding of payroll taxes;
- foreign currency fluctuations, which could result in increased operating expenses and reduced revenues, and other obligations incident to doing business in another country;
- workforce uncertainty in countries where labor unrest is more common than in the U.S.;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad;
- potential liability resulting from development work conducted by these distributors; and
- business interruptions resulting from geopolitical actions, including war and terrorism, or natural disasters.

Our business involves the use of hazardous materials and we and our third-party manufacturers and suppliers must comply with environmental laws and regulations, which can be expensive and restrict how we do business.

Our research and development activities and our third-party manufacturers’ and suppliers’ activities involve the controlled storage, use and disposal of hazardous materials, including the components of our product and product candidates and other hazardous compounds. We and our manufacturers and suppliers are subject to laws and regulations governing the use, manufacture, storage, handling and disposal of these hazardous materials. In some cases, these hazardous materials and various wastes resulting from their use are stored at our and our manufacturers’ facilities pending their use and disposal. We cannot eliminate the risk of contamination, which could cause an interruption of our commercialization efforts, research and development efforts and business operations, environmental damage resulting in costly clean-up and liabilities under applicable laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. Although we believe that the safety procedures utilized by our third-party manufacturers for handling and disposing of these materials generally comply with the standards prescribed by these laws and regulations, we cannot guarantee that this is the case or eliminate the risk of accidental contamination or injury from these materials. In such an event, we may be held liable for any resulting damages and such liability could exceed our resources and state or federal or other applicable authorities may curtail our use of certain materials and/or interrupt our business operations. Furthermore, environmental laws and regulations are complex, change frequently and have tended to become more stringent. We cannot predict the impact of such changes and cannot be certain of our future compliance. We do not currently carry biological or hazardous waste insurance coverage.

Unfavorable global economic conditions could adversely affect our business, financial condition or results of operations.

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. The recent global financial crisis caused extreme volatility and disruptions in the capital and credit markets. A severe or prolonged economic downturn, such as the recent global financial crisis, could result in a variety of risks to our business, including reduced ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy could also strain our suppliers, possibly resulting in supply disruption. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact our business.

We or the third parties upon whom we depend may be adversely affected by earthquakes or other natural disasters and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.

Our corporate headquarters and other facilities are located in the San Francisco Bay Area, which in the past has experienced severe earthquakes. We do not carry earthquake insurance. Earthquakes or other natural disasters could severely disrupt our operations, and have a material adverse effect on our business, results of operations, financial condition and prospects.
If a natural disaster, power outage or other event occurred that prevented us from using all or a significant portion of our headquarters, that damaged critical infrastructure, such as our enterprise financial systems or manufacturing resource planning and enterprise quality systems, or that otherwise disrupted operations, it may be difficult or, in certain cases, impossible for us to continue our business for a substantial period of time. The disaster recovery and business continuity plans we have in place currently are limited and are unlikely to prove adequate in the event of a serious disaster or similar event. We may incur substantial expenses as a result of the limited nature of our disaster recovery and business continuity plans, which, particularly when taken together with our lack of earthquake insurance, could have a material adverse effect on our business.

Furthermore, integral parties in our supply chain are operating from single sites, increasing their vulnerability to natural disasters or other sudden, unforeseen and severe adverse events. If such an event were to affect our supply chain, it could have a material adverse effect on our business.

Risks Related to Government Regulation

The regulatory approval process is highly uncertain and we may not obtain regulatory approval for the commercialization of Patiromer FOS or any future product candidates.

The research, testing, manufacturing, labeling, approval, selling, import, export, marketing and distribution of drug products are subject to extensive regulation by the FDA and other regulatory authorities in the U.S. and other countries, which regulations differ from country to country. Neither we nor any future collaboration partner is permitted to market Patiromer FOS or any future product candidate in the U.S. until we receive approval of an NDA from the FDA. Although our NDA has been accepted for filing by the FDA, we have not obtained marketing approval for Patiromer FOS anywhere in the world. Obtaining regulatory approval to commercialize a product candidate can be a lengthy, expensive and uncertain process. In addition, failure to comply with FDA and other applicable U.S. and foreign regulatory requirements may subject us to administrative or judicially imposed sanctions or other actions, including:

- warning letters;
- civil and criminal penalties;
- injunctions;
- withdrawal of regulatory approval of products;
- product seizure or detention;
- product recalls;
- total or partial suspension of production; and
- refusal to approve pending NDAs or supplements to approved NDAs.

Prior to obtaining approval to commercialize a drug candidate in the U.S. or abroad, we or our collaborators must demonstrate with substantial evidence from well-controlled clinical trials, and to the satisfaction of the FDA or other foreign regulatory agencies, that such drug candidates are safe and effective for their intended uses. The number of nonclinical studies and clinical trials that will be required for FDA approval 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. Results from nonclinical studies and clinical trials can be interpreted in different ways. Even if we believe the nonclinical or clinical data for our drug candidates are promising, such data may not be sufficient to support approval by the FDA and other regulatory authorities. Administering drug candidates to humans may produce undesirable side effects, which could interrupt, delay or halt clinical trials and result in the FDA or other regulatory authorities denying approval of a drug candidate for any or all targeted indications.

Under the policies agreed to by the FDA under the Prescription Drug User Fee Act, or PDUFA, as reauthorized by the Food and Drug Administration Safety and Innovation Act in 2012, the FDA reviews new drugs on two distinct timelines for standard review and priority review. For certain drugs subject to standard review, such as Patiromer FOS, the FDA has a goal to complete its review of the NDA and respond to the applicant within ten months from the 60 day filing date of an NDA. The FDA assigned a target action date of October 21, 2015 for the Patiromer FOS NDA. However, the review process and the PDUFA target action date may be extended if the FDA requests or the NDA sponsor otherwise provides additional information or clarification regarding information already provided in the original NDA submission. The FDA’s review goals are subject to change, and the duration of the FDA’s review may depend on the number and type of other NDAs that are submitted with the FDA around the same time period.
The FDA may also refer applications for novel products or products which present difficult questions of safety or efficacy to an Advisory Committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved. In connection with the acceptance of our NDA for Patiromer FOS, the FDA has indicated it does not currently plan to convene an Advisory Committee for advice regarding our NDA; however, this decision is not guaranteed and the FDA may revisit its position upon further review of our NDA.

As part of its review of the NDA, the FDA may inspect the facility or the facilities where the drug is manufactured to ensure compliance with cGMPs. Additionally, the FDA will typically inspect one or more clinical sites and/or the Sponsor to assure compliance with GCPs before approving an NDA based on clinical data. Depending on the outcome of any FDA inspections and the FDA’s findings, we may receive, and be required to respond to, observations contained in an FDA Form 483 issued by the FDA setting forth conditions observed which the investigator believes constitute deviations from applicable law or regulations. Depending on the results of the FDA’s evaluations of the NDA and the clinical and manufacturing procedures and facilities, the FDA will issue either an approval letter, authorizing commercial marketing of the drug for a specified indication, or a Complete Response Letter, containing the conditions that must be met in order to secure approval of the NDA. These conditions may include deficiencies identified in connection with the FDA’s evaluation of the NDA submission or the clinical and manufacturing procedures and facilities. Until any such conditions or deficiencies have been resolved, the FDA may refuse to approve the NDA.

Regulatory approval of an NDA or NDA supplement is not guaranteed, and the approval process is expensive and may take several years. The FDA also has substantial discretion in the approval process and we may encounter matters with the FDA that requires us to expend additional time and resources and delay or prevent the approval of our product candidates. For example, the FDA may require us to conduct additional studies or trials for Patiromer FOS either prior to or post-approval, such as additional drug-drug interaction studies or safety or efficacy studies or trials, or it may object to elements of our clinical development program such as the number of subjects in our current clinical trials from the U.S. Further, there have been subject deaths in our clinical programs. While the incidence of subject deaths are not unexpected in view of the morbidity and mortality for the patient populations in our trials and have been determined by the study investigators and by us as unrelated to Patiromer FOS, the FDA may require us to perform additional studies or otherwise delay regulatory approval of Patiromer FOS. Despite the time and expense exerted, failure can occur at any stage. The FDA can delay, limit or deny approval of a drug candidate for many reasons, including, but not limited to, the following:

- a drug candidate may not be deemed safe or effective;
- the FDA may not find the data from nonclinical studies and clinical trials sufficient;
- the FDA might not approve our third party manufacturers’ processes or facilities; or
- the FDA may change its approval policies or adopt new regulations.

If Patiromer FOS or any future product candidate fails to demonstrate safety and efficacy in clinical trials or does not gain regulatory approval, our business and results of operations will be materially and adversely harmed. Additionally, if the FDA requires that we conduct additional clinical studies, places limitations on Patiromer FOS in our label, delays approval to market Patiromer FOS or limits the use of Patiromer FOS, our business and results of operations may be harmed.

Although we have entered into an SPA agreement with the FDA relating to our pivotal Phase 3 trial of Patiromer FOS, this agreement does not guarantee any particular outcome with respect to regulatory review of the pivotal trial or with respect to regulatory approval of Patiromer FOS.

The protocol for our pivotal Phase 3 trial of Patiromer FOS was reviewed and agreed upon by the FDA under an SPA, which allows for FDA evaluation of whether a clinical trial protocol could form the primary basis of an efficacy claim in support of an NDA. The SPA is an agreement that a Phase 3 trial’s design, clinical endpoints, patient population and statistical analyses are sufficient to support the efficacy claim. Agreement on an SPA is not a guarantee of approval, and there is no assurance that the design of, or data collected from, the trial will be adequate to obtain the requisite regulatory approval. The SPA is not binding on the FDA if public health concerns unrecognized at the time the SPA was entered into become evident or other new scientific concerns regarding product safety or efficacy arise. In addition, upon written agreement of both parties, the SPA may be changed. The FDA retains significant latitude and discretion in interpreting the terms of an SPA and any resulting trial data in determining whether a drug is safe and effective and whether it will be approved. As a result, we do not know how the FDA will interpret the parties’ respective commitments under the SPA, how it will interpret the data and results from the pivotal Phase 3 trial, whether the FDA will require that we conduct or complete one or more additional clinical trials to support potential approval, or whether Patiromer FOS will receive any regulatory approvals.
Even if we receive regulatory approval for Patiromer FOS or any future product candidates, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense. Additionally, any product candidates, if approved, could be subject to labeling and other restrictions and market withdrawal, and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our products.

Even if a drug is FDA-approved, regulatory authorities may still impose significant restrictions on a product’s indicated uses or marketing or impose ongoing requirements for potentially costly post-marketing studies. Furthermore, any new legislation addressing drug safety issues could result in delays or increased costs to assure compliance. If Patiromer FOS is approved it will be subject to ongoing regulatory requirements for labeling, packaging, storage, advertising, promotion, sampling, record-keeping and submission of safety and other post-market information, including both federal and state requirements in the U.S. In addition, manufacturers and manufacturers’ facilities are required to comply with extensive FDA requirements, including ensuring that quality control and manufacturing procedures conform to current Good Manufacturing Practices, or cGMP. As such, we and our contract manufacturers are subject to continual review and periodic inspections to assess compliance with cGMP. Accordingly, we and others with whom we work must continue to expend time, money, and effort in all areas of regulatory compliance, including manufacturing, production, and quality control. We will also be required to report certain adverse reactions and production problems, if any, to the FDA, and to comply with requirements concerning advertising and promotion for our products. Promotional communications with respect to prescription drugs are subject to a variety of legal and regulatory restrictions and must be consistent with the information in the product’s approved label. As such, we may not promote our products for indications or uses for which they do not have FDA approval.

If a regulatory agency discovers previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, or disagrees with the promotion, marketing, or labeling of a product, a regulatory agency may impose restrictions on that product or us, including requiring withdrawal of the product from the market. If we fail to comply with applicable regulatory requirements, a regulatory agency or enforcement authority may:

- issue warning letters;
- impose civil or criminal penalties;
- suspend regulatory approval;
- suspend any of our ongoing clinical trials;
- refuse to approve pending applications or supplements to approved applications submitted by us;
- impose restrictions on our operations, including closing our contract manufacturers’ facilities; or
- seize or detain products or require a product recall.

Any government investigation of alleged violations of law could require us to expend significant time and resources in response, and could generate negative publicity. Any failure to comply with ongoing regulatory requirements may significantly and adversely affect our ability to commercialize and generate revenues from Patiromer FOS. If regulatory sanctions are applied or if regulatory approval is withdrawn, the value of our company and our operating results will be adversely affected. Additionally, if we are unable to generate revenues from the sale of Patiromer FOS our potential for achieving profitability will be diminished and the capital necessary to fund our operations will be increased.

Currently we are seeking regulatory approval to market Patiromer FOS solely for the treatment of hyperkalemia and, unless we seek regulatory approval for additional indications, we will be prohibited from marketing Patiromer FOS for any other indication.

We are seeking approval to market Patiromer FOS for the treatment of hyperkalemia. We do not have plans to seek approval of Patiromer FOS for any other indication at this time. Even if we obtain regulatory approval to market Patiromer FOS with an indication statement for the treatment of hyperkalemia, we will likely be prohibited from marketing Patiromer FOS using any promotional claims relating to maintaining more patients on, or enabling the increased or optimized usage of, RAAS inhibitors. The exploratory endpoints analyzing the modification of RAAS inhibitor medication due to recurrent hyperkalemia in the pivotal Phase 3 trial will not be sufficient to support FDA approval of a RAAS inhibitor enabling indication. The FDA strictly regulates the promotional claims that may be made about prescription products. While Patiromer FOS has been studied in the setting of hyperkalemia associated with the use of RAAS inhibitors, Patiromer FOS may not be promoted for uses that are not approved by the FDA as reflected in its approved labeling. Under applicable regulations, the ability of a company to make marketing statements about the effectiveness of its drug outside of the statements made in the label, referred to as “off-label” marketing, is prohibited. If we are found to have promoted such off-label uses, we may become subject to significant liability.
If we fail to comply or are found to have failed to comply with FDA and other regulations related to the promotion of Patiromer FOS before it is approved or for unapproved uses, we could be subject to criminal penalties, substantial fines or other sanctions and damage awards.

The regulations relating to the promotion of products before approval or for unapproved uses are complex and subject to substantial interpretation by the FDA and other government agencies. We may not promote Patiromer FOS before we receive marketing approval from the FDA. Even if we receive marketing approval for Patiromer FOS, physicians may nevertheless prescribe it to their patients in a manner that is inconsistent with the approved label. We intend to implement compliance and training programs designed to ensure that our sales and marketing practices comply with applicable regulations. Notwithstanding these programs, the FDA or other government agencies may allege or find that our practices constitute prohibited promotion of Patiromer FOS for unapproved uses. We also cannot be sure that our employees will comply with company policies and applicable regulations regarding the promotion of products before approval or for unapproved uses. Over the past several years, a significant number of pharmaceutical and biotechnology companies have been the target of inquiries and investigations by various federal and state regulatory, investigative, prosecutorial and administrative entities in connection with the promotion of products for unapproved uses and other sales practices, including the Department of Justice and various U.S. Attorneys’ Offices, the Office of Inspector General of the Department of Health and Human Services, the FDA, the Federal Trade Commission and various state Attorneys General offices. These investigations have alleged violations of various federal and state laws and regulations, including claims asserting antitrust violations, violations of the Food, Drug and Cosmetic Act, the False Claims Act, the Prescription Drug Marketing Act, anti-kickback laws, and other alleged violations in connection with the promotion of products before approval or for unapproved uses, pricing and Medicare and/or Medicaid reimbursement. Many of these investigations originate as “qui tam” actions under the False Claims Act. Under the False Claims Act, any individual can bring a claim on behalf of the government alleging that a person or entity has presented a false claim, or caused a false claim to be submitted, to the government for payment. The person bringing a qui tam suit is entitled to a share of any recovery or settlement. Qui tam suits, also commonly referred to as “whistleblower suits,” are often brought by current or former employees. In a qui tam suit, the government must decide whether to intervene and prosecute the case. If it declines, the individual may pursue the case alone.

If the FDA or any other governmental agency initiates an enforcement action against us or if we are the subject of a qui tam suit and it is determined that we violated prohibitions relating to the promotion of products for unapproved uses, we could be subject to substantial civil or criminal fines or damage awards and other sanctions such as consent decrees and corporate integrity agreements pursuant to which our activities would be subject to ongoing scrutiny and monitoring to ensure compliance with applicable laws and regulations. Any such fines, awards or other sanctions would have an adverse effect on our revenue, business, financial prospects and reputation.

If approved, Patiromer FOS or any future products may cause or contribute to adverse medical events that we are required to report to regulatory agencies and if we fail to do so we could be subject to sanctions that would materially harm our business.

Some participants in our clinical studies have reported adverse effects after being treated with Patiromer FOS. If we are successful in commercializing Patiromer FOS or any other products, FDA and foreign regulatory agency regulations require that we report certain information about adverse medical events if those products may have caused or contributed to those adverse events. The timing of our obligation to report would be triggered by the date we become aware of the adverse event as well as the nature of the event. We may fail to report adverse events we become aware of within the prescribed timeframe.

We may also fail to appreciate that we have become aware of a reportable adverse event, especially if it is not reported to us as an adverse event or if it is an adverse event that is unexpected or removed in time from the use of our products. If we fail to comply with our reporting obligations, the FDA or a foreign regulatory agency could take action, including criminal prosecution, the imposition of civil monetary penalties, seizure of our products or delay in approval or clearance of future products.

If third-party manufacturers fail to comply with manufacturing regulations, our financial results and financial condition will be adversely affected.

Before they can begin commercial manufacture of Patiromer FOS, contract manufacturers must obtain regulatory approval of their manufacturing facilities, processes and quality systems. In addition, pharmaceutical manufacturing facilities are continuously subject to inspection by the FDA and foreign regulatory authorities, before and after product approval. Due to the complexity of the processes used to manufacture pharmaceutical products and product candidates, any potential third-party manufacturer may be unable to continue to pass or initially pass federal, state or international regulatory inspections in a cost-effective manner.

If a third-party manufacturer with whom we contract is unable to comply with manufacturing regulations, Patiromer FOS may not be approved, or we may be subject to fines, unanticipated compliance expenses, recall or seizure of our products, total or partial suspension of production and/or enforcement actions, including injunctions, and criminal or civil prosecution. These possible sanctions would adversely affect our financial results and financial condition.
We are currently only seeking regulatory approval to market Patiromer FOS in the U.S., and if we want to expand the geographies in which we may market Patiromer FOS, we will need to obtain additional regulatory approvals.

We are seeking regulatory approval for Patiromer FOS in the U.S. for the treatment of hyperkalemia. In the future, we may attempt to develop and seek regulatory approval to promote and commercialize Patiromer FOS outside of the U.S. For example, we plan to submit a Marketing Authorization Application, or MAA, with the European Medicines Agency, or EMA, for Patiromer FOS in late 2015 or early 2016. In order to obtain approvals outside of the U.S., we may be required to conduct additional clinical trials or studies to support our applications, which would be time consuming and expensive, and may produce results that do not result in regulatory approvals. Further, we will have to expend substantial time and resources in order to establish the commercial infrastructure or pursue a collaboration arrangement that would be necessary to promote and commercialize Patiromer FOS outside of the U.S. If we do not obtain regulatory approvals for Patiromer FOS in foreign jurisdictions, our ability to expand our business outside the U.S. will be severely limited.

Our failure to obtain regulatory approvals in foreign jurisdictions for Patiromer FOS would prevent us from marketing our products internationally.

In order to market any product in the European Economic Area, or EEA (which is composed of the 28 Member States of the European Union plus Norway, Iceland and Liechtenstein), and many other foreign jurisdictions, separate regulatory approvals are required. In the EEA, medicinal products can only be commercialized after obtaining a MAA. Before granting the MAA, the EMA, or the competent authorities of the Member States of the EEA make an assessment of the risk-benefit balance of the product on the basis of scientific criteria concerning its quality, safety and efficacy.

The approval procedures vary among countries and can involve additional clinical testing, and the time required to obtain approval may differ from that required to obtain FDA approval. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries. Approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one or more foreign regulatory authorities does not ensure approval by regulatory authorities in other foreign countries or by the FDA. However, a failure or delay in obtaining regulatory approval in one country may have a negative effect on the regulatory process in others. The foreign regulatory approval process may include all of the risks associated with obtaining FDA approval. We may not be able to file for regulatory approvals or to do so on a timely basis, and even if we do file we may not receive necessary approvals to commercialize our products in any market.

We may be subject to healthcare laws, regulation and enforcement; our failure to comply with these laws could have a material adverse effect on our results of operations and financial conditions.

Although we do not currently have any products on the market, once we begin commercializing our products, we may be subject to additional healthcare statutory and regulatory requirements and enforcement by the federal government and the states and foreign governments in which we conduct our business. The laws that may affect our ability to operate as a commercial organization include:

- the federal healthcare programs’ Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under federal healthcare programs such as the Medicare and Medicaid programs;
- federal false claims laws which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payers that are false or fraudulent;
- federal criminal laws that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- the federal Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, which governs the conduct of certain electronic healthcare transactions and protects the security and privacy of protected health information;
- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payer, including commercial insurers; and
- U.S. and European reporting requirements detailing interactions with and payments to healthcare providers.

If our operations are found to be in violation of any of the laws described above or any other governmental laws and regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, the curtailment or restructuring of our operations, the exclusion from participation in federal and state healthcare programs and imprisonment, any of which could adversely affect our ability to market our products and adversely impact our financial results. The risk of our being found in violation of these laws is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and
their provisions are open to a variety of interpretations. Further, the Patient Protection and Affordable Care Act, or PPACA, among other things, amends the intent requirement of the federal anti-kickback and criminal health care fraud statutes. A person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it. In addition, the PPACA provides that the government may assert that a claim including items or services resulting from a violation of the federal anti-kickback statute constitutes a false or fraudulent claim for purposes of the false claims statutes. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management’s attention from the operation of our business.

The PPACA also imposes new reporting and disclosure requirements on drug manufacturers for any “transfer of value” made or distributed to prescribers and other healthcare providers. In addition, drug manufacturers will also be required to report and disclose any investment interests held by physicians and their immediate family members during the preceding calendar year. Failure to submit required information may result in civil monetary penalties of up to an aggregate of $150,000 per year (and up to an aggregate of $1 million per year for “knowing failures”), for all payments, transfers of value or ownership or investment interests not reported in an annual submission. Manufacturers were required to begin data collection on August 1, 2013 and report such data to the government by March 31, 2014 and by the 90th calendar day of each year thereafter.

In addition, there has been a recent trend of increased federal and state regulation of payments made to physicians for marketing. Some states mandate implementation of compliance programs and/or the tracking and reporting of gifts, compensation, and other remuneration to physicians. The shifting compliance environment and the need to build and maintain robust and expandable systems to comply with multiple jurisdictions with different compliance and/or reporting requirements increases the possibility that a healthcare company may run afoul of one or more of the requirements.

**Legislative or regulatory healthcare reforms in the U.S. may make it more difficult and costly for us to obtain regulatory clearance or approval of Patiromer FOS or any future product candidates and to manufacture, market and distribute our products after clearance or approval is obtained.**

From time to time, legislation is drafted and introduced in Congress that could significantly change the statutory provisions governing the regulatory clearance or approval, manufacture, and marketing of regulated products or the reimbursement thereof. In addition, FDA regulations and guidance are often revised or reinterpreted by the FDA in ways that may significantly affect our business and our products. Any new regulations or revisions or reinterpretations of existing regulations may impose additional costs or lengthen review times of Patiromer FOS or any future product candidates. We cannot determine what effect changes in regulations, statutes, legal interpretation or policies, when and if promulgated, enacted or adopted may have on our business in the future. Such changes could, among other things, require:

- additional clinical trials to be conducted prior to obtaining approval;
- changes to manufacturing methods;
- recall, replacement, or discontinuance of one or more of our products; and
- additional record keeping.

Each of these would likely entail substantial time and cost and could materially harm our business and our financial results. In addition, delays in receipt of or failure to receive regulatory clearances or approvals for any future products would harm our business, financial condition and results of operations.

**Risks Related to Intellectual Property**

*We may become subject to claims alleging infringement of third parties’ patents or proprietary rights and/or claims seeking to invalidate our patents, which would be costly, time consuming and, if successfully asserted against us, delay or prevent the development and commercialization of Patiromer FOS or any future product candidates.*

There have been many lawsuits and other proceedings asserting patents and other intellectual property rights in the pharmaceutical and biotechnology industries. We cannot be certain that Patiromer FOS or any future product candidates will not infringe existing or future third-party patents. Because patent applications can take many years to issue and may be confidential for 18 months or more after filing, there may be applications now pending of which we are unaware and which may later result in issued patents that we may infringe by commercializing Patiromer FOS or future product candidates. Moreover, we may face claims from non-practicing entities that have no relevant product revenue and against whom our own patent portfolio may thus have no deterrent effect. In addition, Patiromer FOS has a complex structure that makes it difficult to conduct a thorough search and review of all potentially relevant third-party patents. We may be unaware of one or more issued patents that would be infringed by the manufacture, sale or use of Patiromer FOS.
We may be subject to third-party claims in the future against us or our collaborators that would cause us to incur substantial expenses and, if successful against us, could cause us to pay substantial damages, including treble damages and attorney’s fees if we are found to be willfully infringing a third party’s patents. We may be required to indemnify future collaborators against such claims. If a patent infringement suit were brought against us or our collaborators, we or they could be forced to stop or delay research, development, manufacturing or sales of the product or product candidate that is the subject of the suit. As a result of patent infringement claims, or in order to avoid potential claims, we or our collaborators may choose to seek, or be required to seek, a license from the third party and would most likely be required to pay license fees or royalties or both. These licenses may not be available on acceptable terms, or at all. Even if we or our collaborators were able to obtain a license, the rights may be nonexclusive, which would give our competitors access to the same intellectual property. Ultimately, we could be prevented from commercializing a product, or forced to redesign it, or to cease some aspect of our business operations if, as a result of actual or threatened patent infringement claims, we or our collaborators are unable to enter into licenses on acceptable terms. Even if we are successful in defending against such claims, such litigation can be expensive and time consuming to litigate and would divert management’s attention from our core business. Any of these events could harm our business significantly.

In addition to infringement claims against us, if third parties prepare and file patent applications in the U.S. that also claim technology similar or identical to ours, we may have to participate in interference or derivation proceedings in the U.S. Patent and Trademark Office, or the USPTO, to determine which party is entitled to a patent on the disputed invention. We may also become involved in similar opposition proceedings in the European Patent Office or similar offices in other jurisdictions regarding our intellectual property rights with respect to our products and technology. Since patent applications are confidential for a period of time after filing, we cannot be certain that we were the first to file any patent application related to our product candidates.

If our intellectual property related to Patiromer FOS or any future product candidates is not adequate, we may not be able to compete effectively in our market.

We rely upon a combination of patents, trade secret protection and confidentiality agreements to protect the intellectual property related to Patiromer FOS and our development programs. Any disclosure to or misappropriation by third parties of our confidential or proprietary information could enable competitors to quickly duplicate or surpass our technological achievements, thus eroding our competitive position in our market.

The strength of patents in the biotechnology and pharmaceutical field involves complex legal and scientific questions and can be uncertain. The patent applications that we own or license may fail to result in issued patents in the U.S. or in foreign countries. Even if patents do successfully issue, third parties may challenge the validity, enforceability or scope thereof, which may result in such patents being narrowed, invalidated or held unenforceable. For example, patents granted by the European Patent Office may be opposed by any person within nine months from the publication of the grant. Similar proceedings are available in other jurisdictions, and in some jurisdictions third parties can raise questions of validity with a patent office even before a patent has been granted. Furthermore, even if they are unchallenged, our patents and patent applications may not adequately protect our intellectual property or prevent others from designing around our claims. For example, a third party may develop a competitive product that provides therapeutic benefits similar to Patiromer FOS but has a sufficiently different composition to fall outside the scope of our patent protection. If the breadth or strength of protection provided by the patents and patent applications we hold or pursue with respect to Patiromer FOS or any future product candidates is successfully challenged, then our ability to commercialize Patiromer FOS or any future product candidates could be negatively affected, and we may face unexpected competition that could have a material adverse impact on our business. Further, if we encounter delays in our clinical trials, the period of time during which we could market Patiromer FOS or any future product candidates under patent protection would be reduced.

Even where laws provide protection, costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and the outcome of such litigation would be uncertain. If we or one of our future collaborators were to initiate legal proceedings against a third party to enforce a patent covering Patiromer FOS or one of our future products, the defendant could counterclaim that our patent is invalid and/or unenforceable. In patent litigation in the U.S., defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement, during prosecution. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to validity, for example, we cannot be certain that there is no invalidating prior art, of which we and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability against our intellectual property related to Patiromer FOS, we would lose at least part, and perhaps all, of the patent protection on Patiromer FOS. Such a loss of patent protection would have a material adverse impact on our business. Moreover, our competitors could counterclaim that we infringe their intellectual property, and some of our competitors have substantially greater intellectual property portfolios than we do.

We also rely on trade secret protection and confidentiality agreements to protect proprietary know-how that may not be patentable, processes for which patents may be difficult to obtain and/or enforce and any other elements of our product development processes that
involve proprietary know-how, information or technology that is not covered by patents. Although we require all of our employees to assign their inventions to us, and endeavor to execute confidentiality agreements with all of our employees, consultants, advisors and any third parties who have access to our proprietary know-how, information or technology, we cannot be certain that we have executed such agreements with all parties who may have helped to develop our intellectual property or who had access to our proprietary information, nor can we be certain that our agreements will not be breached. We cannot guarantee that our trade secrets and other confidential proprietary information will not be disclosed or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. Further, the laws of some foreign countries do not protect proprietary rights to the same extent or in the same manner as the laws of the U.S. As a result, we may encounter significant problems in protecting and defending our intellectual property both in the U.S. and abroad. If we are unable to prevent material disclosure of the intellectual property related to our technologies to third parties, we will not be able to establish or maintain a competitive advantage in our market, which could materially adversely affect our business, results of operations and financial condition.

If we fail to comply with our obligations under our IP License and Assignment Agreement, we could lose license rights that are important to our business.

We are a party to an IP License and Assignment Agreement with Ilypsa, Inc., or Ilypsa, which is a subsidiary of Amgen Inc., pursuant to which we license key intellectual property relating to our drug discovery and development technology. Although our obligations under the license are limited, the license agreement does impose certain diligence, notice and other obligations not currently applicable to us. If we fail to comply with these obligations, Ilypsa (Amgen) may have the right to terminate the license, other than in respect of Patiromer FOS.

Changes in U.S. patent law could diminish the value of patents in general, thereby impairing our ability to protect our products.

As is the case with other biopharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry involve both technological and legal complexity. Therefore, obtaining and enforcing biopharmaceutical patents is costly, time consuming and inherently uncertain. In addition, the U.S. has recently enacted and is currently implementing wide-ranging patent reform legislation. The U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents once obtained. Depending on future actions by the U.S. Congress, the federal courts, and the USPTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

The USPTO and various foreign patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions to maintain patent applications and issued patents. Noncompliance with these requirements can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case.

We have not yet registered trademarks for a commercial trade name for Patiromer FOS in the U.S. or elsewhere and failure to secure such registrations could adversely affect our business.

We have not yet registered trademarks for a commercial trade name for Patiromer FOS in the U.S. or elsewhere. Our trademarks have been approved for registration in the U.S., but our trademark applications may be rejected during trademark registration proceedings outside the U.S. Although we are given an opportunity to respond to those rejections, we may be unable to overcome such rejections. In addition, in the USPTO and in comparable agencies in many foreign jurisdictions, third parties can oppose pending trademark applications and seek to cancel registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, and our trademarks may not survive such proceedings. Moreover, any name we propose to use with our product candidates in the U.S. must be approved by the FDA, regardless of whether we have registered it, or applied to register it, as a trademark. The FDA typically conducts a review of proposed product names, including an evaluation of potential for confusion with other product names. If the FDA objects to any of our proposed proprietary product names, we may be required to expend significant additional resources in an effort to identify a suitable substitute name that would qualify under applicable trademark laws, not infringe the existing rights of third parties and be acceptable to the FDA.

We may not be able to enforce our intellectual property rights throughout the world.

The laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the U.S. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign
jurisdictions. The legal systems of some countries, particularly developing countries, do not favor the enforcement of patents and other intellectual property protection, especially those relating to life sciences. This could make it difficult for us to stop the infringement of our patents or the misappropriation of our other intellectual property rights. For example, many foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. In addition, many countries limit the enforceability of patents against third parties, including government agencies or government contractors. In these countries, patents may provide limited or no benefit.

Proceedings to enforce our patent rights in foreign jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and attention from other aspects of our business. Furthermore, while we intend to protect our intellectual property rights in our expected significant markets, we cannot ensure that we will be able to initiate or maintain similar efforts in all jurisdictions in which we may wish to market Patiromer FOS or any future products. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate. In addition, changes in the law and legal decisions by courts in the U.S. and foreign countries may affect our ability to obtain and enforce adequate intellectual property protection for our technology.

Risks Related to Our Common Stock

Our stock price is volatile and our stockholders may not be able to resell shares of our common stock at or above the price they paid.

The trading price of our common stock is highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors include those discussed in this “Risk Factors” section of this Annual Report on Form 10-K and others such as:

• announcements of regulatory approval or a complete response letter to Patiromer FOS, or specific label indications or patient populations for its use, or changes or delays in the regulatory review process;
• announcements of therapeutic innovations or new products by us or our competitors;
• adverse actions taken by regulatory agencies with respect to our clinical trials, manufacturing supply chain or sales and marketing activities;
• changes or developments in laws or regulations applicable to Patiromer FOS;
• future capital raising transactions;
• any adverse changes to our relationship with any manufacturers or suppliers;
• the success of our testing and clinical trials;
• the success of our efforts to acquire or license or discover additional product candidates;
• any intellectual property infringement actions in which we may become involved;
• announcements concerning our competitors or the pharmaceutical industry in general;
• achievement of expected product sales and profitability;
• manufacture, supply or distribution shortages;
• actual or anticipated fluctuations in our operating results;
• changes in financial estimates or recommendations by securities analysts;
• trading volume of our common stock;
• sales of our common stock by us, our executive officers and directors or our stockholders in the future;
• general economic and market conditions and overall fluctuations in the U.S. equity markets; and
• the loss of any of our key scientific or management personnel.

In addition, the stock markets in general, and the markets for pharmaceutical, biopharmaceutical and biotechnology stocks in particular, have experienced extreme volatility that may have been unrelated to the operating performance of the issuer. These broad market fluctuations may adversely affect the trading price or liquidity of our common stock. In the past, when the market price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the issuer. If any of our stockholders were to bring such a lawsuit against us, we could incur substantial costs defending the lawsuit and the attention of our management would be diverted from the operation of our business, which could seriously harm our financial position. Any adverse determination in litigation could also subject us to significant liabilities.
We are an “emerging growth company” and as a result of the reduced disclosure and governance requirements applicable to emerging growth companies, our common stock may be less attractive to investors.

We are an “emerging growth company,” as defined in the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. We may take advantage of these reporting exemptions until we are no longer an emerging growth company. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of the initial public offering of our common stock (December 31, 2018), (b) in which we have total annual gross revenue of at least $1.0 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the prior June 30th and we have been a public company for at least one year, and (2) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period.

If we sell shares of our common stock in future financings, stockholders may experience immediate dilution and, as a result, our stock price may decline.

We may from time to time issue additional shares of our common stock or securities convertible into our common stock, including in future financings or similar arrangements. For example, we have issued approximately 6.5 million shares of our common stock through registered offerings pursuant to our shelf-registration statement filed in December 2014. If we issue additional shares of our common stock, our stockholders may experience immediate dilution and, as a result, our stock price may decline.

If we do not achieve our publicly disclosed milestones or goals within the expected timing, our stockholders may lose confidence in our ability to achieve future success and, as a result, our stock price may decline.

From time to time, we may publicly disclose information related to certain anticipated company milestones or goals and estimated timing for achieving them, including clinical, regulatory, commercial and partnering milestones or goals. However, we may fail to achieve these milestones or goals, or fail to do so within the expected timing or as projected by the analysts who follow us, and our stockholders and potential stockholders may lose confidence in our ability to achieve future success. As a result, our stock price may decline.

Our principal stockholders and management own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.

As of December 31, 2014, our executive officers, directors, holders of 5% or more of our capital stock and their respective affiliates beneficially owned approximately 45% of our outstanding voting stock. These stockholders will have the ability to influence us through this ownership position. These stockholders may be able to determine all matters requiring stockholder approval. For example, these stockholders may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that certain stockholders may believe are in their best interest.

Sales of a substantial number of shares of our common stock in the public market could cause our stock price to fall.

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market after the lapse of legal restrictions on resale, the trading price of our common stock could decline. Based upon the number of shares outstanding as of March 1, 2015, and after giving effect to our underwritten public offering of 4,485,000 shares in March 2015, we have outstanding a total of approximately 41.3 million shares of common stock. Of these shares, the shares of our common stock sold in our IPO, our public offering in April 2014, our at-the-market offering, and our public offering in March 2015 are currently freely tradable, without restriction (except as otherwise applicable), in the public market.

The lock-up agreements pertaining to our public offering in March 2015 will expire on or before May 26, 2015, following which up to 8.9 million additional shares of common stock will become eligible for sale in the public market, subject to any additional restrictions, all of which shares are held by current directors, executive officers and other affiliates and may be subject to Rule 144 under the Securities Act of 1933, as amended, or the Securities Act.

In addition, as of December 31, 2014, approximately 5.4 million shares of common stock that are either subject to outstanding options, issuable upon vesting of outstanding restricted stock units, reserved for future issuance under our equity incentive plans or subject to
outstanding warrants are eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules and Rule 144 and Rule 701 under the Securities Act. If these additional shares of common stock are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable and may lead to entrenchment of management.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could significantly reduce the value of our shares to a potential acquirer or delay or prevent changes in control or changes in our management without the consent of our board of directors. The provisions in our charter documents include the following:

- a classified board of directors with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;
- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- the required approval of at least 66 2/3% of the shares entitled to vote to remove a director for cause, and the prohibition on removal of directors without cause;
- the ability of our board of directors to authorize the issuance of shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the ability of our board of directors to alter our bylaws without obtaining stockholder approval;
- the required approval of at least 66 2/3% of the shares entitled to vote to adopt, amend or repeal our bylaws or repeal the provisions of our amended and restated certificate of incorporation regarding the election and removal of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairman of the board of directors, the chief executive officer, the president or the board of directors, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; and
- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders’ meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror’s own slate of directors or otherwise attempting to obtain control of us.

In addition, these provisions would apply even if we were to receive an offer that some stockholders may consider beneficial.

We are also subject to the anti-takeover provisions contained in Section 203 of the Delaware General Corporation Law. Under Section 203, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other exceptions, the board of directors has approved the transaction. For a description of our capital stock, see the section titled “Description of Capital Stock.”

In addition, certain provisions in our IP License and Assignment Agreement may discourage certain takeover or acquisition attempts, including that in the event we undergo a change of control, we shall pay to Ilypsa (Amgen) an increasing amount of the purchase price, less certain expenses, of such transaction, ranging from approximately 6.7% to 10% of such amount, up to a cap of $30.0 million.

Claims for indemnification by our directors and officers may reduce our available funds to satisfy successful third-party claims against us and may reduce the amount of money available to us.

Our amended and restated certificate of incorporation and amended and restated bylaws provide that we will indemnify our directors and officers, in each case to the fullest extent permitted by Delaware law.

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In addition, as permitted by Section 145 of the Delaware General Corporation Law, our amended and restated bylaws and our indemnification agreements that we have entered into with our directors and officers provide that:

- We will indemnify our directors and officers for serving us in those capacities or for serving other business enterprises at our request, to the fullest extent permitted by Delaware law. Delaware law provides that a corporation may indemnify such person if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the registrant and, with respect to any criminal proceeding, had no reasonable cause to believe such person’s conduct was unlawful.
- We may, in our discretion, indemnify employees and agents in those circumstances where indemnification is permitted by applicable law.
- We are required to advance expenses, as incurred, to our directors and officers in connection with defending a proceeding, except that such directors or officers shall undertake to repay such advances if it is ultimately determined that such person is not entitled to indemnification.
- We will not be obligated pursuant to our amended and restated bylaws to indemnify a person with respect to proceedings initiated by that person against us or our other indemnitees, except with respect to proceedings authorized by our board of directors or brought to enforce a right to indemnification.
- The rights conferred in our amended and restated bylaws are not exclusive, and we are authorized to enter into indemnification agreements with our directors, officers, employees and agents and to obtain insurance to indemnify such persons.
- We may not retroactively amend our amended and restated bylaw provisions to reduce our indemnification obligations to directors, officers, employees and agents.

We may be required to pay severance benefits to our employees who are terminated in connection with a change in control, which could harm our financial condition or results.

Each of our executive officers is party to an employment agreement, and each of our other employees is party to an agreement or participates in a plan, that provides change in control severance benefits including cash payments for severance and other benefits and acceleration of vesting of stock options and restricted stock units in the event of a termination of employment in connection with a change in control of us. The payment of these severance benefits could harm our financial condition and results. The accelerated vesting of options and restricted stock units could result in dilution to our existing stockholders and harm the market price of our common stock. In addition, these potential severance benefits may discourage or prevent third parties from seeking a business combination with us.

We do not currently intend to pay dividends on our common stock, and, consequently, our stockholders’ ability to achieve a return on their investment will depend on appreciation in the price of our common stock.

We do not currently intend to pay any cash dividends on our common stock for the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. Additionally, the terms of our loan and security agreements restrict our ability to pay dividends. Therefore, our stockholders are not likely to receive any dividends on our common stock for the foreseeable future. Since we do not intend to pay dividends, our stockholders’ ability to receive a return on their investment will depend on any future appreciation in the market value of our common stock. There is no guarantee that our common stock will appreciate or even maintain the price at which our holders have purchased it.

Our ability to use our net operating loss carryforwards may be limited.

As of December 31, 2014, we had net operating loss carryforwards of approximately $240.1 million and $234.3 million for both U.S. federal and California income tax purposes, respectively, which begin to expire in 2027 for U.S. federal income tax purposes and 2017 for California income tax purposes. If a corporation undergoes an “ownership change” for purposes of Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, the corporation may be subject to annual limits on its ability to utilize its net operating loss carryforwards. An ownership change is, as a general matter, triggered by sales or acquisitions of the corporation’s stock in excess of 50 percentage points on a cumulative basis during a three-year period by persons owning 5% or more of the corporation’s total equity value. We have performed an initial analysis under Section 382 of the Code and believe that we have in the past experienced ownership changes that will result in a limitation on our ability to utilize our net operating loss carryforwards. As a result of this analysis, we have removed the deferred tax assets for net operating losses of $28.6 million generated through December 31, 2014 from our deferred tax asset schedule and have recorded a corresponding decrease to our valuation allowance. Our net operating loss carryforwards may also be subject to further limitations in the future as a result of additional ownership changes, including if we experience an ownership change as a result of our public offering in March 2015.

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

Not applicable.

**Item 2. Properties.**

Our principal executive offices are currently located in Redwood City, California, and consist of approximately 80,000 square feet of leased office and laboratory space under a lease that expires on January 31, 2025. We believe that our existing facilities are adequate for our current needs; however, we may require additional space and facilities as our business expands.

**Item 3. Legal Proceedings.**

We are not currently subject to any material legal proceedings.

**Item 4. Mine Safety Disclosures.**

Not applicable.
PART II

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

Our common stock has been publicly traded on The NASDAQ Select Global Market under the symbol “RLYP” since the initial public offering, or IPO, of our common stock on November 15, 2013. Prior to that time, there was no public market for our common stock. The following table sets forth on a per share basis, for the periods indicated, the low and high sale prices of our common stock as reported by the NASDAQ Global Select Market.

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<td></td>
<td>$30.18</td>
<td>$18.65</td>
</tr>
<tr>
<td>Third Quarter</td>
<td>$28.30</td>
<td>$20.06</td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>$35.00</td>
<td>$17.60</td>
</tr>
</tbody>
</table>

Holders

As of March 3, 2015, there were approximately 19 holders of record of our common stock. This number does not include beneficial owners whose shares are held by nominees in street name.

Dividend Policy

We have never declared or paid cash dividends on our capital stock. We intend to retain all available funds and any future earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. In addition, unless waived, the terms of our loan and security agreements prohibit us from paying any cash dividends. Any future determination related to dividend policy will be made at the discretion of our board of directors.

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Performance Graph

This graph is not “soliciting material,” is not deemed “filed” with the SEC and is not to be incorporated by reference into any filing of Relypsa, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

The following graph shows the cumulative total stockholder return of an investment of $100 in cash on November 15, 2013 (the first day of trading of our common stock), through December 31, 2014 for (i) our common stock, (ii) the NASDAQ Composite Index (U.S.) and (iii) the NASDAQ Biotechnology Index. Pursuant to applicable SEC rules, all values assume reinvestment of the full amount of all dividends, however no dividends have been declared on our common stock to date. The stockholder return shown on the graph below is not necessarily indicative of future performance, and we do not make or endorse any predictions as to future stockholder returns.

Comparison of Cumulative Total Return
Among Relypsa, Inc., the NASDAQ Composite Index, and the NASDAQ Biotechnology Index

Recent Sales of Unregistered Securities
From January 1, 2014 through December 31, 2014, we have not issued any securities in a transaction not registered under the Securities Act that have not been previously disclosed in a Quarterly report on Form 10-Q or Current Report on Form 8-K.

Use of Proceeds
On November 15, 2013, the Securities and Exchange Commission declared effective our registration statement on Form S-1 (File No. 333-191437), as amended, filed in connection with our IPO. Pursuant to the registration statement, we registered the offer and sale of 6,850,000 shares of our common stock with an aggregate offering price of $75.3 million. We sold and issued 7,877,500 shares of our common stock at a price to the public of $11.00 per share for an aggregate offering price of approximately $86.6 million. The managing underwriters of the offering were Morgan Stanley, BofA Merrill Lynch, Stifel, Cowen and Company and Wedbush PacGrow Life Sciences. After deducting underwriting discounts, commissions and offering expenses paid or payable by us of $8.7 million, the net proceeds from the offering were $78.0 million. No offering expenses were paid or are payable, directly or indirectly, to our directors or officers, to persons owning 10% or more of any class of our equity securities or to any of our affiliates.

The net proceeds from the offering have been invested in money market funds and highly-liquid, highly-rated securities. There has been no material change in the expected use of the net proceeds from our IPO as described in our registration statement on Form S-1.
Issuer Purchases of Equity Securities
Not applicable.

I tem 6. Selected Financial Data

You should read the following selected financial data together with our audited financial statements, the related notes, the information under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and other financial information included in this Annual Report on Form 10-K. The selected financial data included in this section are not intended to replace our audited financial statements and the related notes included elsewhere in this annual report.

We derived the selected statement of operations data for the years ended December 31, 2014, 2013, 2012 and 2011 and the balance sheet data as of December 31, 2014, 2013, 2012 and 2011 from our audited financial statements appearing elsewhere in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results that may be expected in the future.

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>(in thousands, except share and per share amounts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Statements of Operations Data:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>$50,227</td>
<td>$58,971</td>
<td>$36,052</td>
<td>$20,363</td>
</tr>
<tr>
<td>General and administrative</td>
<td>27,914</td>
<td>11,940</td>
<td>7,285</td>
<td>5,164</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>78,141</td>
<td>70,911</td>
<td>43,337</td>
<td>25,527</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(78,141)</td>
<td>(70,911)</td>
<td>(43,337)</td>
<td>(25,527)</td>
</tr>
<tr>
<td>Interest and other income (expense), net</td>
<td>149</td>
<td>(1,481)</td>
<td>(382)</td>
<td>123</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,896)</td>
<td>(1,453)</td>
<td>(6)</td>
<td>(419)</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>(79,888)</td>
<td>(73,845)</td>
<td>(43,725)</td>
<td>(25,823)</td>
</tr>
<tr>
<td>Deemed dividend to preferred stockholders</td>
<td>—</td>
<td>(7,336)</td>
<td>(18,716)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net loss attributable to common stockholders</strong></td>
<td>$ (79,888)</td>
<td>$(81,181)</td>
<td>$(62,441)</td>
<td>$(25,823)</td>
</tr>
<tr>
<td><strong>Net loss per share attributable to common stockholders, basic and diluted</strong></td>
<td>$(2.43)</td>
<td>$(22.42)</td>
<td>$(205.45)</td>
<td>$(104.33)</td>
</tr>
<tr>
<td><strong>Weighted average common shares used to compute net loss per share attributable to common stockholders, basic and diluted</strong></td>
<td>32,837,508</td>
<td>3,620,235</td>
<td>303,927</td>
<td>247,507</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As of December 31,</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance Sheet Data:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, cash equivalents and short-term investments</td>
<td>$135,757</td>
<td>$94,759</td>
<td>$54,355</td>
<td>$28,543</td>
</tr>
<tr>
<td>Working capital</td>
<td>122,291</td>
<td>78,828</td>
<td>27,922</td>
<td>25,660</td>
</tr>
<tr>
<td>Total assets</td>
<td>151,839</td>
<td>106,031</td>
<td>64,132</td>
<td>30,484</td>
</tr>
<tr>
<td>Debt</td>
<td>15,912</td>
<td>13,670</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Convertible preferred stock warrant liability</td>
<td>—</td>
<td>—</td>
<td>19,529</td>
<td>348</td>
</tr>
<tr>
<td>Convertible preferred stock</td>
<td>—</td>
<td>—</td>
<td>177,418</td>
<td>112,847</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(305,728)</td>
<td>(225,840)</td>
<td>(147,384)</td>
<td>(98,586)</td>
</tr>
<tr>
<td>Total stockholders’ equity (deficit)</td>
<td>118,461</td>
<td>74,850</td>
<td>(147,361)</td>
<td>(86,275)</td>
</tr>
</tbody>
</table>
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with the section entitled “Selected Financial Data” and our financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion and other parts of this Annual Report on Form 10-K contain forward-looking statements that involve risks and uncertainties, such as our plans, objectives, expectations, intentions and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the “Risk Factors” section in Part I Item IA.

Overview

We are a biopharmaceutical company focused on the development and commercialization of non-absorbed polymeric drugs to treat disorders in the areas of renal, cardiovascular and metabolic diseases. Our lead product candidate, Patiromer for Oral Suspension, or Patiromer FOS, is for the treatment of hyperkalemia, a serious condition defined as abnormally elevated levels of potassium in the blood. Our New Drug Application, or NDA, for Patiromer FOS was accepted for filing by the U.S. Food and Drug Administration, or FDA, in December 2014. The FDA has assigned a Prescription Drug User Fee Act, or PDUFA, action date of October 21, 2015 for completion of review for our NDA. The FDA has indicated it does not currently plan to convene an Advisory Committee for advice regarding our NDA. The NDA is supported by eight clinical trials, including a two-part Phase 3 pivotal program that was conducted under a Special Protocol Assessment, or SPA, as well as a Phase 2b trial that evaluated Patiromer FOS in patients for up to one year. Each of these trials met both its primary and secondary efficacy endpoints, with the results being both statistically significant and clinically meaningful. The product candidate is administered as a convenient oral suspension powder.

Since commencing operations in October 2007, we have devoted substantially all our efforts to identify and develop products utilizing our proprietary polymer drug discovery technology, including Patiromer FOS, and we have devoted substantially all of our financial resources to the clinical development of Patiromer FOS. We have not generated any revenue from product sales and, as a result, we have incurred significant losses. Through December 31, 2014, we have funded substantially all of our operations from the sale and issuance of common stock, convertible preferred stock, convertible promissory notes, and various credit facilities.

In November 2013, we sold and issued 7,877,500 shares of our common stock in our initial public offering, or IPO, at a price to the public of $11.00 per share for an aggregate offering price of approximately $86.6 million, which included the exercise in full by the underwriters of their option to purchase additional shares of our common stock. After deducting underwriting discounts, commissions and offering expenses paid or payable by us of approximately $8.7 million, the net proceeds from the offering were approximately $78.0 million.

In April 2014, we sold 4,130,611 shares of common stock in an underwritten offering at a price to the public of $24.50 per share. We received aggregate net proceeds of $94.6 million, after deducting the underwriting discount and offering related transaction costs.

In December 2014, we filed a shelf registration statement on Form S-3, which permitted: (a) the offering, issuance and sale by us of up to a maximum aggregate offering price of $250.0 million of our common stock, preferred stock, debt securities, warrants and/or units; and (b) as part of the $250.0 million, the offering, issuance and sale by us of up to a maximum aggregate offering price of $70.0 million of our common stock that may be issued and sold under a sales agreement with Cantor Fitzgerald & Co in one or more at-the-market offerings. As of December 31, 2014, we sold 514,710 shares pursuant to our at-the-market offering at an average price of $32.17 for an aggregate offering price of $16.6 million, and we received aggregate net proceeds of $16.1 million.

During January and February 2015, we sold 1,549,910 shares pursuant to our at-the-market offering at an average price of $34.48 for an aggregate offering price of $53.4 million, and we received aggregate net proceeds of $51.8 million. As of the date of this Annual Report on Form 10-K, we have exhausted our current at-the-market offering in full.

In March 2015, we sold 4,485,000 shares of common stock in an underwritten offering at a price to the public of $38.50 per share for gross proceeds of $172.3 million. We estimate net proceeds from the offering to be $161.9 million, after deducting the underwriting discount and estimated offering expenses.

We have never been profitable and, as of December 31, 2014, we had an accumulated deficit of $305.7 million. We incurred net losses of approximately $79.9 million, $73.8 million and $43.7 million in the years ended December 31, 2014, 2013 and 2012, respectively. We expect to continue to incur net operating losses for at least the next two years, as we continue our development of, seek regulatory approval for, and if approved, begin to commercialize, Patiromer FOS. We will need additional funding to support our future operating activities and adequate funding may not be available to us on acceptable terms, or at all. Our failure to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on our business, results of operations, and financial condition. We will need to generate significant revenues to achieve profitability and we may never do so.
Patiromer FOS was developed utilizing our proprietary polymer drug discovery technology, which we acquired pursuant to an Intellectual Property License and Assignment Agreement and an Exchange Agreement with Ilypsa, Inc., or Ilypsa, which is a subsidiary of Amgen, Inc., or Amgen. In November 2009, we entered into an Amended and Restated License and Assignment Agreement pursuant to which we hold an exclusive sublicense under patent rights originally licensed to Ilypsa for the development and commercialization of pharmaceutical products developed using its polymer-based technology, including Patiromer FOS. In March 2013, we satisfied our sole milestone payment obligation with respect to patiromer with a payment of $12.5 million in connection with the dosing of the first patient in our pivotal Phase 3 trial. We have global royalty-free commercialization rights to patiromer, the treatment of which has intellectual property protection in the U.S. until at least 2030. If approved by the FDA, we plan to commercialize Patiromer FOS for hyperkalemia in the U.S. with a specialty sales force targeting primarily nephrologists, cardiologists, and hospitals.

We have no manufacturing facilities and all of our manufacturing activities are contracted out to third parties. Additionally, we currently use third-party clinical research organizations, or CROs, to carry out our clinical trials and we are currently building a sales organization. We expect to significantly increase our investment in costs relating to our commercial manufacturing process and inventory of Patiromer FOS, as well as for commercialization and marketing related activities as we prepare for a possible commercial launch of Patiromer FOS.

Polymeric-based drugs like Patiromer FOS generally require large quantities of drug substance as compared to small molecule drugs. Our business plan assumes that we are able to develop a supply chain with multiple suppliers and significantly decrease our cost of goods within the first several years of commercialization of Patiromer FOS, enabling us to achieve gross margins similar to those achieved by other companies who produce non-absorbed polymeric drugs.

**Financial Overview**

**Research and Development Expenses**

Our research and development expenses consist primarily of:

- salaries and related costs, including stock-based compensation expense, for personnel in our research and development functions;
- fees paid to clinical consultants, clinical trial sites and vendors, including clinical research organizations in conjunction with implementing and monitoring our clinical trials and acquiring and evaluating clinical trial data, including all related fees, such as for investigator grants, patient screening fees, laboratory work and statistical compilation and analysis;
- costs related to production of clinical supplies, including fees paid to contract manufacturers;
- costs related to compliance with drug development regulatory requirements, including FDA and other regulatory agency fees and stock-based compensation for consultants;
- costs related to pre-commercialization manufacturing activities, such as manufacturing process validation activities and the manufacturing of commercial supply;
- a one-time milestone payment of $12.5 million made pursuant to our IP License and Assignment Agreement; and
- depreciation and other allocated facility-related and overhead expenses.

We expense both internal and external research and development expenses to operations as they are incurred. We are focusing substantially all of our resources and development efforts on the development of Patiromer FOS. We expect to continue to make substantial investments in research and development activities during 2015 as we pursue regulatory approval of Patiromer FOS in the United States and prepare for a possible commercial launch of Patiromer FOS, which will require a significant investment in contract manufacturing and inventory build-up related costs. We are unable to predict with any certainty when or if Patiromer FOS will receive regulatory approval in the United States. We currently have no pharmaceutical products that have received marketing approval, and we have generated no revenues to date from the sale of such products.

**General and Administrative Expenses**

General and administrative expenses consist primarily of salaries and related costs, including stock-based compensation expense for personnel in our executive, finance, commercial, information technology, medical affairs, business and corporate development and other administrative functions. Other general and administrative expenses include allocated depreciation and facility-related costs, legal costs of pursuing patent protection of our intellectual property, travel expenses, and professional fees for auditing, tax and legal services. We expect our general and administrative expenses to increase as we expand our operating activities and increase our headcount as we begin to prepare for a potential commercial launch of Patiromer FOS and to support our operations as a public company. These increased expenses associated with being a public company may include, among other things, increased expenses
related to legal, accounting, regulatory and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, directors’ and officers’ liability insurance premiums and investor relations related fees.

**Interest and Other Income (Expense), Net**

Interest income consists primarily of interest received or earned on our cash, cash equivalents and short-term investments balances. During 2013 and 2012, other income (expense) primarily includes gains and losses from the re-measurement of our liabilities related to our convertible preferred stock warrants. Upon the closing of the IPO in November 2013, we performed a final re-measurement of the preferred stock warrants issued and recorded the impact of the re-measurement to interest and other income (expense), net. All of the remaining preferred stock warrants that were not exercised in conjunction with the IPO were converted to warrants to purchase common stock as a result of the IPO. These warrants are no longer being re-measured after the closing of the IPO.

**Interest Expense**

Interest expense consists of cash and noncash interest costs related to our borrowings. The noncash interest costs consist of the amortization of the fair value of warrants that were issued in connection with our borrowings, with the initial fair value of the warrants being amortized to interest expense over the term of the governing agreements.

**Critical Accounting Policies and Significant Estimates**

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. In many instances, we could have reasonably used different accounting estimates, and in other instances changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from management’s estimates. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management’s judgments and estimates.

While our significant accounting policies are described in the Notes to our financial statements, we believe that the following critical accounting policies are most important to understanding and evaluating our reported financial results.

**Clinical Trial Accruals**

Clinical trial costs are a component of research and development expenses. We accrue and expense clinical trial activities performed by third parties based upon actual work completed in accordance with agreements established with clinical research organizations and clinical sites. We determine the actual expense accrual through discussions with internal personnel and external service providers as to the progress or stage of completion of trials or services and the agreed-upon fee to be paid for such services less any payments made. During the course of a clinical trial, we may adjust our rate of clinical expense recognition if actual results differ from our estimates. We make estimates of our accrued expenses as of each balance sheet date in our financial statements based on the facts and circumstances known to us at that time. Our clinical trial accrual is dependent, in part, upon the receipt of timely and accurate reporting from clinical research organizations and other third-party vendors. Through December 31, 2014, there have been no material adjustments to our prior period estimates of accrued expenses for clinical trials.

**Contract Manufacturing Accruals**

All contract manufacturing costs for Patiromer FOS are a component of research and development expenses as we pursue regulatory approval. We accrue and expense contract manufacturing activities performed by third parties based upon actual work or the estimated amount of work completed in accordance with agreements established with contract manufacturing organizations. We determine the actual costs or estimates of the costs through discussions with internal personnel and external service providers as to the manufacturing activities that were performed or completed and the agreed-upon fee to be paid for such services.

**Stock-Based Compensation**

We account for stock-based compensation based on the fair value of the share-based awards that are ultimately expected to vest. The fair value of employee stock options granted is estimated on the date of grant using the Black-Scholes option pricing model, and is recognized in expense over the service period using the straight-line method, net of estimated forfeitures. Forfeiture estimates are adjusted to the extent that actual forfeitures differ from the prior estimates. The fair value of restricted stock unit awards used in our expense recognition method is based on the number of shares granted and the closing price of our common stock on the date of the grant. Such value is recognized as an expense over the service period using the straight-line method, net of estimated forfeitures. We
adopted an employee stock purchase plan (ESPP) on November 2013 and in August 2014, the ESPP was initiated, pursuant to which eligible employees can purchase shares of the Company’s common stock at a price per share equal to the lesser of 85% of the fair market value on the first day of the offering period or 85% of the fair market value on the purchase date. The fair value of each award is estimated on the first day of the offering period using the Black-Scholes option pricing model and is recognized in expense over the service period using the straight-line method, net of estimated forfeitures.

We record the expense attributable to nonemployee services paid with share-based awards based on the estimated fair value of the awards determined using the Black-Scholes option pricing model. The measurement of stock-based compensation for nonemployees is subject to periodic adjustments as the options vest, and the expense is recognized over the period during which services are received.

Total stock-based compensation expense recorded in the statements of operations is as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development</td>
<td>$5,702</td>
<td>$2,435</td>
<td>$485</td>
</tr>
<tr>
<td>General and administrative</td>
<td>3,993</td>
<td>1,474</td>
<td>692</td>
</tr>
<tr>
<td></td>
<td>$9,695</td>
<td>$3,909</td>
<td>$1,177</td>
</tr>
</tbody>
</table>

As of December 31, 2014, we had $32.6 million of unrecognized compensation expense related to stock-based compensation arrangements, which is expected to be recognized over an estimated weighted-average period of 3.0 years. For awards subject to ratable vesting, we recognize compensation cost on a straight-line basis over the service period for the entire award. In future periods, our stock-based compensation expense is expected to increase as a result of recognizing our existing unrecognized stock-based compensation for awards that will vest and as we grant additional stock-based awards to attract and retain our employees.

**Significant Factors, Assumptions and Methodologies Used in Determining the Estimated Fair Value of Our Stock Options**

We estimate the fair value of our stock option based awards to employees and directors using the Black-Scholes option pricing model. The Black-Scholes model requires the input of subjective assumptions, including (a) the expected stock price volatility, (b) the calculation of the expected term of the award, (c) the risk free interest rate and (d) expected dividends. Due to our limited operating history and a lack of company specific historical and implied volatility data, we have based our estimate of expected volatility on the historical volatility of a group of similar companies, which are publicly-traded. When selecting these public companies on which we have based our expected stock price volatility, we selected companies with comparable characteristics to us, including enterprise value, risk profiles, position within the industry, and with historical share price information sufficient to meet the expected life of our stock-based awards. The historical volatility data was computed using the daily closing prices for the selected companies’ shares during the equivalent period of the calculated expected term of our stock-based awards. We will continue to apply this process until a sufficient amount of historical information regarding the volatility of our own stock price becomes available. We have estimated the expected life of our employee stock options using the “simplified” method, whereby the expected life equals the arithmetic average of the vesting term and the original contractual term of the option. The risk-free interest rates for periods within the expected life of the option are based on the U.S. Treasury yield curve in effect during the period the options were granted. We have never paid, and do not expect to pay, dividends in the foreseeable future.

The assumptions used to estimate the fair value of stock options granted to employees using the Black-Scholes option pricing model were as follows:

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<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted-average exercise price of options granted</td>
<td>$25.63</td>
<td>$7.91</td>
<td>$3.96</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>87-109%</td>
<td>95-110%</td>
<td>87-95%</td>
</tr>
<tr>
<td>Expected term (in years)</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Risk-free rate</td>
<td>1.6-2.0%</td>
<td>1.1-1.8%</td>
<td>0.8-1.1%</td>
</tr>
<tr>
<td>Expected dividends</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

We are also required to estimate forfeitures at the time of grant, and revise those estimates in subsequent periods if actual forfeitures differ from our estimates. We use historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest. To the extent that actual forfeitures differ from our estimates, the difference is recorded as a cumulative adjustment in the period the estimates were revised.
**Fair Value Estimate of Our Common Stock**

Prior to our IPO, the fair value of the shares of common stock underlying the stock options has historically been determined by our board of directors. Given the absence of a public trading market prior to the IPO, and in accordance with the American Institute of Certified Public Accountants Practice Aid, our board of directors exercised its reasonable judgment and considered numerous objective and subjective factors to determine the best estimate of the fair value of our common stock at the time of grant of the option. These factors included contemporaneous, independent valuations of our common stock, the rights and preferences of our convertible preferred stock relative to our common stock, valuation of comparable companies, sales of convertible preferred stock to unrelated third parties, operating and financial performance, the lack of liquidity of capital stock, the likelihood of achieving a discrete liquidity event, such as an IPO, given prevailing market conditions, and general and industry specific economic outlook, amongst other factors. The fair value of the underlying common stock was determined by the board of directors until the IPO when our common stock started trading in The NASDAQ Global Select Market under ticker symbol RLYP on November 15, 2013. Consequently, after our IPO the fair value of the shares of common stock underlying the stock options is the closing price on the option grant date.

**Net Operating Loss Carryforwards**

As of December 31, 2014, we had net operating loss carryforwards of approximately $240.1 million and $234.3 million that may be available, subject to the limitations described below, to reduce future taxable income, if any, for federal and California state income tax purposes, respectively. The federal and state net operating loss carryforwards will begin to expire in 2027 and 2017, respectively.

Additionally, the future utilization of our net operating loss carry forwards to offset future taxable income may be subject to an annual limitation, pursuant to Internal Revenue Code Section 382, as a result of ownership changes that may have occurred previously or that could occur in the future. We have performed an initial analysis under Section 382. As a result of this analysis, we have removed the deferred tax assets for net operating losses of $28.6 million generated through December 31, 2014 from our deferred tax asset schedule and have recorded a corresponding decrease to our valuation allowance. When this analysis is finalized, the deferred tax asset-schedule and associated valuation allowance will be updated. Due to the existence of the valuation allowance, future changes in our unrecognized tax benefits will not impact our effective tax rate.

As of December 31, 2014, we had research and development credit carryforwards of approximately $5.2 million and $5.6 million available to reduce future tax expense, if any, for federal and California state income tax purposes, respectively. The federal credits expire beginning in 2027, and the California credits carry forward indefinitely.

**JOBS Act**

In April 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other companies.

Subject to certain conditions set forth in the JOBS Act, as an “emerging growth company,” we intend to rely on certain of these exemptions, including without limitation, (i) providing an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act, and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the IPO of our common stock, (b) in which we have total annual gross revenue of at least $1.0 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700.0 million as of the prior June 30th and we have been a public company for at least one year, and (2) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period.
Results of Operations

Comparison of Years Ended December 31, 2014 and 2013

Research and Development. During the year ended December 31, 2014, research and development expenses decreased $8.7 million, or 15% as compared to 2013. The decrease was primarily the result of a $12.5 million milestone payment we made to Amgen in March 2013 pursuant to our amended and restated IP license and assignment agreement, resulting from the initiation of dosing in our pivotal Phase 3 trial for Patiromer FOS. In addition, our clinical trial costs decreased by $10.1 million primarily due to the completion in 2013 of our Phase 3 and Phase 2 clinical trials. This decrease in clinical trial costs were partially offset by the costs associated with our Phase 1 clinical trial that was conducted during 2014 and data management to support the NDA filing. These decreases were partially offset by increases in personnel costs and stock-based compensation of $4.5 million, $3.4 million in outside services to assist with preparing and filing the NDA, $2.3 million in ongoing manufacturing activities, and an NDA fee of $2.3 million that was paid in October 2014.

General and Administrative. During the year ended December 31, 2014, general and administrative expenses increased $16.0 million, or 134% as compared to 2013. The increase was primarily due to an increase of $7.4 million in personnel costs resulting from an increase in headcount and employee stock-based compensation to support our expanding operations. Furthermore, we incurred increases in service provider expenses of $3.4 million for commercial and marketing activities, $1.7 million in insurance expenses and fees as a result of becoming a public company and $1.2 million in professional and consulting fees.

Interest and Other Income (Expense), Net. During the year ended December 31, 2014, interest and other expense, net changed by $1.6 million as compared to 2013. The net change is primarily due to a charge we incurred in 2013 related to the increased value of outstanding warrants to purchase our Series C-1 preferred stock. The consummation of the IPO in November 2013 resulted in the conversion of all classes of our preferred stock into common stock. Upon such conversion of the underlying classes of preferred stock, the warrants were reclassified as a component of equity and were no longer subject to re-measurement.

Interest Expense. During the year ended December 31, 2014, interest expense increased $0.4 million as compared to 2013. The increase is due to interest expense associated with our $15.0 million loan under our term loan amended and restated in May 2014 and our equipment line of credit.

Comparison of the Years Ended December 31, 2013 and 2012

<table>
<thead>
<tr>
<th>Operating expenses:</th>
<th>Year Ended December 31,</th>
<th>Change</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
<td>$</td>
</tr>
<tr>
<td>Research and development</td>
<td>$58,971</td>
<td>$36,052</td>
<td>$22,919</td>
</tr>
<tr>
<td>General and administrative</td>
<td>11,940</td>
<td>7,285</td>
<td>4,655</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>70,911</td>
<td>43,337</td>
<td>27,574</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(70,911)</td>
<td>(43,337)</td>
<td>(27,574)</td>
</tr>
<tr>
<td>Interest and other income (expense), net</td>
<td>(1,481)</td>
<td>(382)</td>
<td>(1,099)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,453)</td>
<td>(6)</td>
<td>(1,447)</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(73,455)</td>
<td>$(43,725)</td>
<td>$(30,120)</td>
</tr>
</tbody>
</table>

* Percentage not meaningful

Research and Development. During the year ended December 31, 2013, research and development expenses increased $22.9 million, or 64% as compared to 2012. The increase was primarily the result of a $12.5 million milestone payment we made to Amgen in March 2013 pursuant to our amended and restated IP license and assignment agreement, resulting from the initiation of dosing in our pivotal
Phase 3 trial for Patiromer FOS. The increase was also due to increases in clinical trial expenses of $6.8 million related to our Phase 3 clinical trial and in consulting and outside services expenses of $2.6 million, primarily related to regulatory activities. In addition, personnel costs increased $0.9 million due to an increase in headcount and depreciation expense increased $0.3 million as a result of leasehold improvements.

**General and Administrative.** During the year ended December 31, 2013, general and administrative expenses increased $4.7 million, or 64% as compared to 2012. The increase was primarily due to an increase of $2.0 million in costs related to commercial, marketing and medical affairs activities as we prepare for a potential commercial launch of Patiromer FOS and an increase of $2.0 million in personnel costs resulting from an increase in headcount and stock-based compensation. Furthermore, we incurred an additional $0.3 million in professional fees in preparation for and as a result of becoming a public company.

**Interest and Other Income (Expense), Net.** During the year ended December 31, 2013, interest and other expense, net changed by $1.1 million as compared to 2013. The change is primarily due to the increase in other expenses related to the increased value of warrants to acquire convertible preferred stock that were issued in connection with our preferred stock financings, capital loan and equipment line of credit.

**Interest Expense.** During the year ended December 31, 2013, interest expense increased $1.4 million as compared to 2013. The increase is due to interest expense associated with our $12.5 million loan drawn in January 2013 under our term loan and our equipment line of credit.

**Liquidity and Capital Resources**

Since inception through December 31, 2014, our operations have been financed primarily through net proceeds of $380.9 million pursuant to our public offerings, sales of shares of our convertible preferred stock, the issuance of promissory notes, and shares sold pursuant to the shelf registration statement. In addition, we have received financing through our capital loans and equipment lines of credit. As of December 31, 2014, we had $135.8 million of cash, cash equivalents and short-term investments. Our cash, cash equivalents and short-term investments are held in a variety of interest-bearing instruments, including corporate debt securities, commercial paper, agency bonds and money market accounts. Cash in excess of immediate requirements is invested with a view toward liquidity and capital preservation, and we seek to minimize the potential effects of concentration and degrees of risk.

During January 2015, we sold 1,302,960 shares pursuant to our at-the-market offering at an average price of $34.45 for which we received aggregate net proceeds of $43.5 million. As of January 31, 2015, we had $174.5 million of cash, cash equivalents and short-term investments. During February 2015, we sold an additional 246,950 shares at an average price of $34.65 for which we received aggregate net proceeds of $8.3 million.

In March 2015, we sold 4,485,000 shares of common stock in an underwritten offering at a price to the public of $38.50 per share for gross proceeds of $172.3 million. We estimate net proceeds from the offering to be $161.9 million, after deducting the underwriting discount and estimated offering expenses. As adjusted for our January and February 2015 at-the-market offering and our underwritten offering that closed during March 2015, our December 31, 2014 cash, cash equivalents and short-term investments was $349.5 million. See Note 15 to our audited financial statements for an as-adjusted presentation of certain balance sheet items.

Our primary uses of cash are to fund operating expenses, which have historically been primarily research and development related expenditures. We have never been profitable and, as of December 31, 2014, we had an accumulated deficit of $305.7 million. We incurred net losses of approximately $79.9 million, $73.8 million and $43.7 million in the years ended December 31, 2014, 2013 and 2012, respectively. We expect to continue to incur net operating losses for at least the next two years, as we continue our development of, seek regulatory approval for, and if approved, begin to commercialize, Patiromer FOS. We will need additional funding to support our future operating activities and adequate funding may not be available to us on acceptable terms, or at all. Our failure to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on our business, results of operations, and financial condition. We will need to generate significant revenues to achieve profitability and we may never do so.
Summary Statement of Cash Flows

The following table shows a summary of our cash flows for each of the years ended December 31, 2014, 2013 and 2012.

<table>
<thead>
<tr>
<th>Net cash (used in) provided by</th>
<th>Years Ended December 31,</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating activities</td>
<td></td>
<td>$ (70,862)</td>
<td>$ (62,640)</td>
<td>$ (35,510)</td>
</tr>
<tr>
<td>Investing activities</td>
<td></td>
<td>(108,835)</td>
<td>35,335</td>
<td>(28,478)</td>
</tr>
<tr>
<td>Finishing activities</td>
<td></td>
<td>115,202</td>
<td>106,843</td>
<td>63,960</td>
</tr>
<tr>
<td>Net (decrease) increase in cash and cash equivalents</td>
<td>$ (64,495)</td>
<td>$ 79,538</td>
<td>$ (28)</td>
<td></td>
</tr>
</tbody>
</table>

Cash Flows from Operating Activities. Net cash used in operating activities was $70.9 million for the year ended December 31, 2014 and consisted primarily of our net loss of $79.9 million, less noncash charges such as stock-based compensation expense, depreciation and amortization, and accretion of final debt payment of $9.7 million, $5.5 million, and $0.5 million, respectively. The significant uses of cash based on the change in operating assets and liabilities include increases in other assets and prepaids and other assets of $5.7 million and $1.1 million, respectively and decreases in deferred rent and accounts payable of $2.9 million and $1.6 million, respectively. These uses of cash were partially offset by an increase of $4.6 million in accrued and other liabilities.

Net cash used in operating activities was $62.6 million for the year ended December 31, 2013 and consisted primarily of our net loss of $73.8 million, which includes the $12.5 million milestone payment to Amgen in March 2013, less noncash charges such as stock-based compensation expense and the revaluation of warrants to purchase convertible preferred stock of $3.9 million and $1.6 million, respectively. The significant items in the change in operating assets and liabilities include a $3.4 million increase in other assets, partially offset by an increase of $3.5 million in accrued and other liabilities and a decrease of $2.7 million in other receivables.

Net cash used in operating activities was $35.5 million for the year ended December 31, 2012 and consisted primarily of our net loss of $43.7 million, less noncash charges such as stock-based compensation expense of $1.2 million and $0.5 million related to the revaluation of warrants to purchase convertible preferred stock. The significant items in the change in operating assets and liabilities include increases in accrued liabilities of $3.5 million, deferred rent of $4.3 million and accounts payable of $1.5 million, which are partially offset by an increase in other receivables of $3.0 million. The increase in deferred rent and other receivables is related to the tenant allowance provided to us as part of the lease agreement we entered into for our new corporate headquarters during 2012.

Cash Flows from Investing Activities. Net cash used in investing activities for the year ended December 31, 2014 was $108.8 million and was primarily due to the purchase of investments of $163.2 million and purchases of fixed assets of $2.6 million. These uses of cash were partially offset by maturities of short-term investments of $57.0 million.

Net cash provided by investing activities for the year ended December 31, 2013 was $35.3 million and consisted primarily of short-term investments of $49.2 million that matured during the year. The cash provided by investing activities was partially offset by purchases of investments of $10.1 million and purchases of fixed assets of $3.8 million.

Net cash used in investing activities for the year ended December 31, 2012 was $28.5 million and consisted primarily of purchases of short-term investments of $46.2 million and purchases of fixed assets of $2.7 million, partially offset by proceeds from the maturities of short-term investments of $20.4 million.

Cash Flows from Financing Activities. Net cash provided by financing activities for the year ended December 31, 2014 was $115.2 million and consisted primarily of net proceeds from our April 2014 follow on offering of $94.6 million, net proceeds from the sale of shares of securities registered pursuant to the shelf registration statement of $16.1 million, $14.5 million in proceeds from our capital loan, and proceeds from common stock option exercises of $2.9 million. These proceeds were partially offset by payments under our capital loan of $12.5 million and payments under our equipment line of credit of $0.4 million.

Net cash provided by financing activities for the years ended December 31, 2013 and 2012 was $106.8 million and $64.0 million, respectively. For the year ended December 31, 2013 net cash provided by financing activities consisted primarily of net proceeds from our IPO of $78.0 million, $15.0 million in proceeds from the sale of our Series C-2 convertible preferred stock, $12.4 million from our capital loan, and $1.2 million from our equipment line of credit. These proceeds were partially offset by payments under our equipment line of credit. For the year ended December 31, 2012, net cash provided by financing activities consisted mainly of the net proceeds from the issuance of our convertible preferred stock of $64.6 million, partially offset by principal payments under a capital loan and an equipment line of credit of $0.8 million.
Operating and Capital Expenditure Requirements

We have not achieved profitability on a quarterly or annual basis since our inception and we expect to continue to incur net losses for at least the next few years. We expect our cash expenditures to increase in the near term as we pursue regulatory approval of Patiromer FOS, expand U.S. commercial launch preparation activities related to Patiromer FOS, including significant headcount growth and the manufacture of commercial supply, and increase our general and administrative infrastructure. We believe that our existing cash, cash equivalents and short-term investments will be sufficient to fund our operations for at least the next 12 months. However, our operating plan may change as a result of many factors currently unknown to us, and we may need to seek additional funds sooner than planned, through public or private equity, debt financings or other sources, such as strategic collaborations. Such financing may result in dilution to stockholders, imposition of debt covenants and repayment obligations, or other restrictions that may affect our business. In addition, we may seek additional capital due to favorable market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans.

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

- the time and cost necessary to obtain regulatory approvals for Patiromer FOS and the costs of post-marketing studies that could be required by regulatory authorities;
- the findings of the FDA during their routine inspections of our facilities and the facilities of our contract manufacturers and clinical trial sites during the NDA review process and our ability to promptly and adequately address any such findings;
- the costs of obtaining commercial supplies of Patiromer FOS;
- our ability to successfully commercialize Patiromer FOS;
- the manufacturing, selling and marketing costs associated with Patiromer FOS, including the cost and timing of expanding our sales and marketing capabilities;
- the amount of sales and other revenues from Patiromer FOS, if approved, including the sales price and the availability of adequate third-party reimbursement;
- the cash requirements of any future acquisitions or discovery of product candidates;
- our ability to draw down up to $20.0 million in the second tranche of our term loans pursuant to the Amended and Restated Loan and Security Agreement we entered into with our existing lenders in May 2014, which will be available to us on July 1, 2015 and ending on the earlier of (i) December 31, 2015 and (ii) an event of default under the agreement;
- the progress, timing, scope and costs of our nonclinical studies and clinical trials, including the ability to enroll patients in a timely manner for potential future clinical trials;
- the time and cost necessary to respond to technological and market developments; and
- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights.

Additional funds may not be available when we need them, on terms that are acceptable to us, or at all. If adequate funds are not available to us on a timely basis, we may be required to delay, limit, reduce or terminate:

- clinical trials or other development activities for Patiromer FOS or any future product candidate;
- our research and development activities; or
- our establishment of sales and marketing capabilities or other activities that may be necessary to commercialize Patiromer FOS or any future product candidate.

Please see “Risk Factors” for additional risks associated with our substantial capital requirements.
Contractual Obligations and Other Commitments

The following table summarizes our contractual obligations as of December 31, 2014 (in thousands):

<table>
<thead>
<tr>
<th>Contractual Obligations (1)</th>
<th>Total</th>
<th>Less than One Year</th>
<th>1-3 Years</th>
<th>3-5 Years</th>
<th>Thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt obligation (2)</td>
<td>$19,992</td>
<td>$1,567</td>
<td>$18,425</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Operating lease obligations (3)</td>
<td>35,875</td>
<td>2,309</td>
<td>9,958</td>
<td>10,953</td>
<td>12,655</td>
</tr>
<tr>
<td>Purchase obligations (4)</td>
<td>230,842</td>
<td>45,266</td>
<td>121,375</td>
<td>64,201</td>
<td>—</td>
</tr>
<tr>
<td>Total contractual obligations</td>
<td>$286,709</td>
<td>$49,142</td>
<td>$149,758</td>
<td>$75,154</td>
<td>$12,655</td>
</tr>
</tbody>
</table>

(1) Per the terms of our IP License and Assignment Agreement, upon a change in control transaction we are required to pay to Ilypsa (Amgen) an increasing amount of the purchase price, less certain expenses, of such transaction, ranging from approximately 6.7% to 10% of such amount, up to a cap of $30.0 million. This payment has been excluded from the tables above due to the uncertainty of the occurrence and/or timing of a change of control transaction.

(2) The long-term debt obligation is comprised of an Amended and Restated Loan and Security Agreement that was executed during May 2014 and an equipment line of credit that was obtained during May 2013.

(3) These amounts are comprised of the estimated remaining rent payments on our existing lease and the total future minimum rent payments under the new lease that was executed on June 26, 2014.

(4) The purchase obligations are comprised of our non-cancelable purchase commitments under our Manufacturing and Supply Agreement (the Lanxess Supply Agreement) with LANXESS Corporation, under our Manufacturing and Supply Agreement (DPx Supply Agreement) with DPx Fine Chemicals Austria GmbH & Co KG (DPx Fine Chemicals), formally DSM Fine Chemicals Austria NFG GMBH & Co. KG, and under our Supply Agreement with Patheon (Patheon Supply Agreement). These amounts are based on forecasts that may include estimates of our future market demand, quantity discounts and manufacturing efficiencies. Per the terms of the Lanxess Supply Agreement, we will be required to purchase an additional $12.3 million of drug substance from Lanxess if Lanxess meets certain requirements as defined by the Lanxess Supply Agreement. The additional $12.3 million payment has been excluded from the table above.

Purchase Commitments

Our material non-cancelable purchase commitments with contract manufacturers or service providers are with Lanxess, DPx Fine Chemicals, and Patheon. Lanxess and DPx Fine Chemicals serve as commercial manufacturers and suppliers of the active pharmaceutical ingredient for Patiromer FOS and provide manufacturing services in relation to Patiromer FOS. Patheon serves as a commercial manufacturer and supplier of the bulk and finished drug product, we refer to as Patiromer FOS. Other than the foregoing purchase commitment, we have generally contracted with all contract manufacturers and service providers on a cancelable purchase order basis.

Loan and Security Agreements

Term Loan

On May 30, 2014, we entered into an Amended and Restated Loan and Security Agreement (the Amended Loan Agreement) to amend and restate in its entirety the Loan and Security Agreement, (the Original Agreement), dated January 31, 2013. Per the terms of the Amended Loan Agreement, upon closing we immediately drew $15.0 million, of which approximately $11.0 million was used to repay the outstanding debt under the Original Agreement, and approximately $0.4 million was used to satisfy the accrued portion of the final payment fee under the Original Agreement. Payments on the new $15.0 million will be interest only through January 2016 followed by 30 months of equal monthly payments of interest and principal. Due to acceptance of our New Drug Application for Patiromer FOS by the U.S. Food and Drug Administration in December 2014, the interest only payment period was extended until January 2016 and we may, at our option, draw an additional $20.0 million between July 1, 2015 and December 31, 2015. We will be required to make a final payment upon loan maturity of 8.5% of the amounts advanced and the unaccrued portion of the final payment fee under the Original Agreement in the amount of approximately $0.4 million. The interest rate for the first tranche is 7.40% and the interest rate on the second tranche will be equal to the greater of (i) the three month LIBOR rate plus 7.17% or (ii) 7.40%.

The outstanding debt is secured by substantially all of our assets, subject to the security priority of our equipment line of credit discussed below, and except for intellectual property, which is subject to a negative pledge. The negative pledge on our intellectual property generally does not permit us to grant a security interest in the covered intellectual property to another party without the consent of Oxford Finance and Silicon Valley Bank; however, the negative pledge does not generally restrict our ability to license our intellectual property.

In accordance with the terms of the Amended Loan Agreement, in May 2014 in connection with the first tranche, we issued warrants to purchase an aggregate of 12,661 shares of our common stock with an exercise price per share of $23.69. The Amended Loan
Agreement includes customary operating but non-financial covenants, including limitations on our ability to incur additional indebtedness, issue dividends and transfer or encumber any collateral securing the debt, as well as a cross-default provision with regard to our equipment line of credit. As of December 31, 2014, principal of $15.0 million was outstanding under the Amended Loan Agreement, and we were in compliance with all required covenants.

**Equipment Line of Credit**

On May 2, 2013, we entered into a loan and security agreement with Silicon Valley Bank, which provides for a line of credit to finance certain equipment purchases up to an aggregate of $1.6 million through June 30, 2013. All outstanding debt drawn under the equipment line of credit is amortized and payable in 36 monthly installments of principal and interest commencing on the month following the draw with an effective interest rate of 5.75%. The outstanding balance on the credit line is secured by a first priority lien over all equipment purchased using the line of credit.

In accordance with the terms of the equipment line of credit, we issued a warrant to Silicon Valley Bank in May 2013 to purchase 6,968 shares of our Series C-1 convertible preferred stock at an exercise price per share of $9.1848, which was converted to warrants to purchase 6,968 shares of common stock upon our IPO.

The equipment line of credit includes customary operating but non-financial covenants, including limitations on our ability to incur additional indebtedness, issue dividends and transfer or encumber any collateral securing the debt, as well as a cross-default provision with regard to our term loan. We utilized $1.3 million of the line of credit in the second quarter of 2013, and the remaining $0.3 million balance available under the line of credit expired unused on June 30, 2013. As of December 31, 2014, principal of $0.6 million was outstanding under the line of credit, and we were in compliance with all required covenants.

**Operating Lease**

On June 26, 2014, we entered into a new lease (the Lease) for office and laboratory facilities in Redwood City, California that will serve as our new principal executive offices. We currently lease office and laboratory space located in Redwood City, California pursuant to a lease dated September 7, 2012 (the Existing Lease) that commenced on January 1, 2013.

The Lease commenced on February 1, 2015, upon the premises being ready for occupancy by us following the Landlord’s construction of certain improvements to the premises required under the Lease. The Existing Lease terminates 60 days after the lease commencement date, and we will not be obligated to pay any base rent, expenses or other fees under the Existing Lease during the 60-day period after the Lease commences. The Lease terminates 10 years after the lease commences and we have an option to extend the Lease for an additional five years upon written notice to Landlord.

We are entitled to a one-time allowance of approximately $0.6 million for costs related to relocation, cabling, furniture, fixtures and equipment. We are also entitled, at our election, to an additional allowance of approximately $2.2 million for certain move and tenant improvement related costs incurred by us prior to the second anniversary of the Lease commencement. In the event we elect to use all or any portion of the additional allowance, the base rent will increase.

**Indemnification**

In the normal course of business, we enter into contracts and agreements that contain a variety of representations and warranties and provide for general indemnifications. Our exposure under these agreements is unknown because it involves claims that may be made against us in the future, but have not yet been made. To date, we have not paid any claims or been required to defend any action related to our indemnification obligations. However, we may record charges in the future as a result of these indemnification obligations.

In accordance with our certificate of incorporation and bylaws, we have indemnification obligations to our officers and directors for specified events or occurrences, subject to some limits, while they are serving at our request in such capacities. There have been no claims to date, and we have director and officer insurance that may enable us to recover a portion of any amounts paid for future potential claims.

**Off-Balance Sheet Arrangements**

We have not entered into any off-balance sheet arrangements and do not have any holdings in variable interest entities.
Recent Accounting Pronouncements

In June 2014, FASB issued Accounting Standards Update No. 2014-10, Development Stage Entities: Elimination of Certain Financial Reporting Requirements. The update removes the definition of a development stage entity from FASB ASC 915 and eliminates the requirement for development stage entities to present inception-to-date information on the statements of operations, cash flows and stockholders’ deficit. We early adopted this standard for the period covered by the report herein.

In August 2014, FASB issued Accounting Standards Update No. 2014-15, Presentation of Financial Statements Going Concern – Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. The amendments require management to assess an entity’s ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S auditing standards. Specifically, the amendments: (1) provide a definition of the term substantial doubt; (2) require an evaluation every reporting period including interim periods; (3) provide principles for considering the mitigating effect of management’s plans; (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management’s plans; (5) require an express statement and other disclosures when substantial doubt is not alleviated; and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). ASU 2014-15 will be effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016 with early adoption permitted. ASU 2014-15 will be effective for the Company beginning with its annual report for fiscal 2016 and interim periods thereafter. We has not yet determined the effect of the adoption of this standard will have on our consolidated financial statements.

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

We are exposed to market risks in the ordinary course of our business. These market risks are principally limited to interest rate fluctuations and foreign currency exchange rates fluctuations. Due to the fixed interest rate of our credit facility, we do not currently have any exposure to changes in our interest expense as a result of changes in interest rates.

Interest Rate Risk

As of December 31, 2014, we had cash, cash equivalents and short-term investments of $135.8 million, which consist of bank deposits, money market funds, corporate bonds, agency bonds and commercial paper. Such interest-earning instruments carry a degree of interest rate risk; however, historical fluctuations in interest income have not been significant. All of our outstanding debt obligations carry fixed interest rates.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. We have not been exposed nor do we anticipate being exposed to material risks due to changes in interest rates. A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our financial statements.

Foreign Currency Exchange Rate Fluctuations

We are exposed to some degree of foreign exchange risk as a result of entering into transactions denominated in currencies other than U.S. dollars, particularly in Euros. In particular, we pay our CROs outside of the United States in the currencies of their respective jurisdictions. In addition, we may be subject to fluctuations in foreign currency exchange risk with our CMOs that are located in jurisdictions that have currencies other than U.S. dollars. Due to the uncertain timing of expected payments in foreign currencies, we do not utilize any forward foreign exchange contracts. All foreign transactions settle on the applicable spot exchange basis at the time such payments are made.

A hypothetical 10% change in foreign exchange rates during any of the preceding periods presented would not have had a material impact on our financial statements.

Item 8. Financial Statements and Supplementary Data.

The financial statements required by this Item are included in Item 15.


None.
Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive and financial officers, evaluated the effectiveness of our disclosures controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2014. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2014, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, our CEO and CFO, and effected by our Board of Directors, management and other personnel, 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that accurately and fairly reflect in reasonable detail the transactions and dispositions of the assets of our company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurances regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material adverse effect on our financial statements.

Our management assessed our internal control over financial reporting as of December 31, 2014, the end of our fiscal year. Management based its assessment on criteria established in "Internal Control—Integrated Framework (1992)” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's assessment of our internal control over financial reporting, management concluded that, as of December 31, 2014, our internal control over financial reporting was effective.

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements will not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Attestation Report on Internal Control over Financial Reporting

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm on internal control over financial reporting due to the deferral allowed under the JOBS Act for emerging growth companies.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during the quarter ended December 31, 2014 identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

I tem 9B.  Other Information.

Not applicable.
PART III

Item 10. Directors, Executive Officers and Corporate Governance.
The information required by this item is incorporated by reference from the applicable information set forth in “Election of Directors,” “Corporate Governance,” “Executive Officers,” and “Section 16(a) Beneficial Ownership Reporting Compliance” which will be included in our definitive Proxy Statement for our 2015 Annual Meeting of Stockholders to be filed with the SEC.

Item 11. Executive Compensation.
The information required by this item is incorporated by reference from the applicable information set forth in “Corporate Governance,” “Non-Employee Director Compensation” and “Executive Compensation” which will be included in our definitive Proxy Statement for our 2015 Annual Meeting of Stockholders to be filed with the SEC.

The information required by this item is incorporated by reference from the applicable information set forth in “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” which will be included in our definitive Proxy Statement for our 2015 Annual Meeting of Stockholders to be filed with the SEC.

Item 13. Certain Relationships and Related Transactions, and Director Independence.
The information required by this item is incorporated by reference from the applicable information set forth in “Certain Relationships and Related Party Transactions” and “Corporate Governance” which will be included in our definitive Proxy Statement for our 2015 Annual Meeting of Stockholders to be filed with the SEC.

Item 14. Principal Accounting Fees and Services.
The information required by this item is incorporated by reference from the applicable information set forth in “Ratification of Selection of Independent Registered Accounting Firm” which will be included in our definitive Proxy Statement for our 2015 Annual Meeting of Stockholders to be filed with the SEC.
The Board of Directors and Stockholders  
Relypsa, Inc.  

We have audited the accompanying consolidated balance sheets of Relypsa, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive loss, convertible preferred stock and stockholders’ equity (deficit), and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. 

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Relypsa, Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.  

/s/ Ernst & Young LLP  
Redwood City, California  
March 11, 2015
<table>
<thead>
<tr>
<th>Assets</th>
<th>December 31, 2014</th>
<th>December 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$30,264</td>
<td>$94,759</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>105,493</td>
<td>—</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>268</td>
<td>—</td>
</tr>
<tr>
<td>Other receivables</td>
<td>425</td>
<td>241</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>2,756</td>
<td>1,657</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>139,206</td>
<td>96,657</td>
</tr>
<tr>
<td><strong>Restricted cash</strong></td>
<td>686</td>
<td>—</td>
</tr>
<tr>
<td><strong>Property and equipment, net</strong></td>
<td>3,467</td>
<td>5,624</td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td>—</td>
<td>14</td>
</tr>
<tr>
<td><strong>Other assets</strong></td>
<td>8,480</td>
<td>3,736</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$151,839</td>
<td>$106,031</td>
</tr>
<tr>
<td><strong>Liabilities and stockholders’ equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$3,156</td>
<td>$4,736</td>
</tr>
<tr>
<td>Accrued payroll and related expenses</td>
<td>4,393</td>
<td>1,794</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>7,778</td>
<td>5,947</td>
</tr>
<tr>
<td>Deferred rent, current portion</td>
<td>1,156</td>
<td>640</td>
</tr>
<tr>
<td>Line of credit</td>
<td>432</td>
<td>408</td>
</tr>
<tr>
<td>Capital loan</td>
<td>—</td>
<td>4,304</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>16,915</td>
<td>17,829</td>
</tr>
<tr>
<td><strong>Long-term liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred rent, long-term</td>
<td>983</td>
<td>4,394</td>
</tr>
<tr>
<td>Line of credit</td>
<td>267</td>
<td>630</td>
</tr>
<tr>
<td>Capital loan</td>
<td>15,213</td>
<td>8,328</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>33,378</td>
<td>31,181</td>
</tr>
<tr>
<td><strong>Commitments and contingencies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Stockholders’ equity:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred stock: $0.001 par value; 5,000 shares authorized at December 31, 2014 and 2013; respectively; no shares issued and outstanding at December 31, 2014 and 2013</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Common stock: $0.001 par value; 300,000 shares authorized at December 31, 2014 and 2013; 35,045 and 29,710 shares issued and outstanding at December 31, 2014 and 2013, respectively</td>
<td>35</td>
<td>30</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>424,175</td>
<td>300,660</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>(21)</td>
<td>—</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(305,728)</td>
<td>(225,840)</td>
</tr>
<tr>
<td><strong>Total stockholders’ equity</strong></td>
<td>118,461</td>
<td>74,850</td>
</tr>
<tr>
<td><strong>Total liabilities and stockholders’ equity</strong></td>
<td>$151,839</td>
<td>$106,031</td>
</tr>
</tbody>
</table>

Relypsa, Inc.
Consolidated Balance Sheets
(In thousands, except per share amounts)
### Relypsa, Inc.

#### Consolidated Statements of Operations

*(In thousands, except share and per share amounts)*

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>$50,227</td>
<td>$58,971</td>
<td>$36,052</td>
</tr>
<tr>
<td>General and administrative</td>
<td>27,914</td>
<td>11,940</td>
<td>7,285</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>78,141</td>
<td>70,911</td>
<td>43,337</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(78,141)</td>
<td>(70,911)</td>
<td>(43,337)</td>
</tr>
<tr>
<td>Interest and other income (expense), net</td>
<td>149</td>
<td>1,481</td>
<td>382</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td>(1,896)</td>
<td>(1,453)</td>
<td>(6)</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>(79,888)</td>
<td>(73,845)</td>
<td>(43,725)</td>
</tr>
<tr>
<td>Deemed dividend to preferred stockholders</td>
<td>—</td>
<td>(7,336)</td>
<td>(18,716)</td>
</tr>
<tr>
<td><strong>Net loss attributable to common stockholders</strong></td>
<td>$ (79,888)</td>
<td>$ (81,181)</td>
<td>$ (62,441)</td>
</tr>
<tr>
<td><strong>Net loss per share attributable to common stockholders, basic and diluted</strong></td>
<td>$ (2.43)</td>
<td>$ (22.42)</td>
<td>$ (205.45)</td>
</tr>
</tbody>
</table>

Weighted average common shares used to compute net loss per share attributable to common stockholders, basic and diluted

| 32,837,508 | 3,620,235 | 303,927 |

See accompanying notes.
### Relypsa, Inc.

**Consolidated Statements of Comprehensive Loss**

*(In thousands)*

See accompanying notes.

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss</td>
<td>$ (79,888)</td>
<td>$ (73,845)</td>
<td>$ (43,725)</td>
</tr>
<tr>
<td>Other comprehensive (loss):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized (loss) gain on available-for-sale securities, net of tax</td>
<td>(21)</td>
<td>(23)</td>
<td>15</td>
</tr>
<tr>
<td>Total comprehensive loss</td>
<td>$ (79,909)</td>
<td>$ (73,868)</td>
<td>$ (43,710)</td>
</tr>
</tbody>
</table>

See accompanying notes.
Relypsa, Inc.

Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)
(In thousands)

<table>
<thead>
<tr>
<th>Shares</th>
<th>Amount</th>
<th>Shares</th>
<th>Amount</th>
<th>Additional Paid-In Capital</th>
<th>Accumulated Other Comprehensive Income (Loss)</th>
<th>Accumulated Deficit</th>
<th>Total Stockholders' Equity (Deficit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2011</td>
<td>8,982</td>
<td>$112,847</td>
<td>270</td>
<td>$12,303</td>
<td>$8</td>
<td>$(98,586)</td>
<td>$(86,275)</td>
</tr>
<tr>
<td>Issuance of Series C-1 convertible preferred stock for cash, net of issuance costs of $429</td>
<td>7,077</td>
<td>64,571</td>
<td>40</td>
<td>163</td>
<td>—</td>
<td>—</td>
<td>163</td>
</tr>
<tr>
<td>Series C-1 warrants deemed dividend</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(13,643)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exercise of stock options</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,777</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Unrealized gain on investments</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>15</td>
<td>—</td>
<td>15</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance at December 31, 2012</td>
<td>16,059</td>
<td>177,418</td>
<td>310</td>
<td>—</td>
<td>23</td>
<td>$(147,384)</td>
<td>$(147,361)</td>
</tr>
<tr>
<td>Issuance of Series C-2 convertible preferred stock for cash, net of issuance costs of $17</td>
<td>1,633</td>
<td>14,983</td>
<td>2,573</td>
<td>3</td>
<td>394</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Series C-2 warrants deemed dividend</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(2,725)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exercise of warrants</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>28,647</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Conversion of preferred stock to common stock (17,692)</td>
<td>192,401</td>
<td></td>
<td>18,925</td>
<td>19</td>
<td>192,382</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Reclassification of warrant liability</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>28,647</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exercise of stock options</td>
<td>24</td>
<td>97</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>97</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>3,909</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of 7,878 shares of common stock, net of issuance cost of $8,691</td>
<td>—</td>
<td>—</td>
<td>7,878</td>
<td>8</td>
<td>77,956</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Unrealized loss on investments</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(23)</td>
<td>(23)</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance at December 31, 2013</td>
<td>—</td>
<td>—</td>
<td>29,710</td>
<td>30</td>
<td>300,660</td>
<td>—</td>
<td>(225,840)</td>
</tr>
<tr>
<td>Net exercise of warrants</td>
<td>—</td>
<td>—</td>
<td>12</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of warrants</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>234</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exercise of stock options</td>
<td>—</td>
<td>—</td>
<td>677</td>
<td>—</td>
<td>2,923</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>9,695</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of 4,131 shares of common stock, net of issuance cost of $6,600</td>
<td>—</td>
<td>—</td>
<td>4,131</td>
<td>4</td>
<td>94,603</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock under the shelf registration statement</td>
<td>—</td>
<td>—</td>
<td>515</td>
<td>1</td>
<td>16,060</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Unrealized loss on investments</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(21)</td>
<td>—</td>
<td>(21)</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(79,888)</td>
</tr>
<tr>
<td>Balance at December 31, 2014</td>
<td>—</td>
<td>$35,045</td>
<td>$35</td>
<td>$424,175</td>
<td>$21</td>
<td>$(305,728)</td>
<td>$118,461</td>
</tr>
</tbody>
</table>

See accompanying notes.
## Consolidated Statements of Cash Flows

*(In thousands)*

### Year Ended December 31,

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$(79,888)</td>
<td>$(73,845)</td>
<td>$(43,725)</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to net cash used in operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>5,492</td>
<td>1,088</td>
<td>394</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>9,695</td>
<td>3,909</td>
<td>1,177</td>
</tr>
<tr>
<td>Amortization of debt discount</td>
<td>174</td>
<td>136</td>
<td>—</td>
</tr>
<tr>
<td>Amortization of debt issuance costs</td>
<td>24</td>
<td>32</td>
<td>—</td>
</tr>
<tr>
<td>Accretion of final debt payment</td>
<td>498</td>
<td>350</td>
<td>—</td>
</tr>
<tr>
<td>Accrued interest on capital loan</td>
<td>71</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Revaluation of convertible preferred stock warrant liability</td>
<td>—</td>
<td>1,564</td>
<td>465</td>
</tr>
<tr>
<td><strong>Changes in assets and liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>(184)</td>
<td>2,742</td>
<td>(2,983)</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>(1,123)</td>
<td>(669)</td>
<td>9</td>
</tr>
<tr>
<td>Other assets and restricted cash</td>
<td>(5,698)</td>
<td>(3,431)</td>
<td>(84)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(1,580)</td>
<td>1,264</td>
<td>1,483</td>
</tr>
<tr>
<td>Accrued and other liabilities</td>
<td>4,552</td>
<td>3,465</td>
<td>3,475</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>(2,895)</td>
<td>755</td>
<td>4,279</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>$(70,862)</td>
<td>$(62,640)</td>
<td>$(35,510)</td>
</tr>
</tbody>
</table>

| **Investing activities** |        |        |        |
| Purchase of investments | (163,205) | (10,087) | (46,189) |
| Proceeds from maturities of short-term investments | 56,965 | 49,198 | 20,363 |
| Purchase of property and equipment | (2,595) | (3,776) | (2,652) |
| **Net cash provided (used in) by investing activities** | (108,835) | 35,335 | (28,478) |

| **Financing activities** |        |        |        |
| Net proceeds from issuance of convertible preferred stock | — | 14,983 | 64,571 |
| Net proceeds from public offerings | 94,607 | 77,964 | — |
| Net proceeds from securities sold under shelf registration | 16,061 | — | — |
| Proceeds from common stock option exercises | 2,923 | 97 | 152 |
| Proceeds from warrant exercises | — | 397 | — |
| Net proceeds from capital loan | 3,549 | 12,404 | — |
| Repayment of capital loan | (1,530) | — | (691) |
| Net proceeds from equipment line of credit | — | 1,225 | — |
| Repayment of equipment line of credit | (408) | (227) | (72) |
| **Net cash provided by financing activities** | 115,202 | 106,843 | 63,960 |
| Net (decrease) increase in cash and cash equivalents | (64,495) | 79,538 | (28) |
| Cash and cash equivalents at beginning of period | 94,759 | 15,221 | 15,249 |
| **Cash and cash equivalents at end of period** | $30,264 | $94,759 | $15,221 |

### Supplemental disclosures of cash flow information

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash paid for interest</strong></td>
<td>$996</td>
<td>$854</td>
<td>$5</td>
</tr>
<tr>
<td><strong>Cash paid for taxes</strong></td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

### Noncash investing and financing activities

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in unrealized (loss) gain on short-term investments</td>
<td>(21)</td>
<td>(23)</td>
<td>15</td>
</tr>
<tr>
<td>Contingent put option liability</td>
<td>110</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of warrants in connection with line of credit</td>
<td>—</td>
<td>25</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of warrants in connection with capital loan</td>
<td>234</td>
<td>193</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of warrants in connection with Series C financings</td>
<td>—</td>
<td>7,336</td>
<td>18,716</td>
</tr>
<tr>
<td>Reclassification of convertible preferred stock warrant liability due to the exercise of the warrants</td>
<td>—</td>
<td>28,072</td>
<td>—</td>
</tr>
<tr>
<td>Reclassification of convertible preferred stock warrant liability due to conversion to warrants to purchase common stock</td>
<td>—</td>
<td>575</td>
<td>—</td>
</tr>
<tr>
<td>Accounts payable related to purchase of property and equipment</td>
<td>—</td>
<td>2,520</td>
<td>—</td>
</tr>
</tbody>
</table>
Relypsa, Inc.

Notes to Consolidated Financial Statements

December 31, 2014

1. Organization

Relypsa, Inc. (Relypsa or the Company) is a biopharmaceutical company dedicated to the development and commercialization of new non-absorbed polymeric drugs for important applications in renal, cardiovascular and metabolic disease. Relypsa’s lead product candidate is Patiromer for Oral Suspension, or Patiromer FOS. A new drug application has been filed with the U.S. Food and Drug Administration for Patiromer FOS for the treatment of hyperkalemia and is currently under review. The Company commenced operations on October 29, 2007. The Company’s principal operations are based in Redwood City, California and it operates in one segment. On October 28, 2014, Relypsa UK LTD was incorporated as a wholly-owned subsidiary of the Company.

Offerings

On November 15, 2013, the Company completed its initial public offering, or IPO, which resulted in net proceeds of $78.0 million from the issuance of 7,877,500 shares of common stock. In connection with the IPO, on an as converted basis, 18,924,883 shares of the Company’s convertible preferred stock and 2,563,076 convertible preferred stock warrants were converted into 21,487,959 shares of common stock. In addition, upon completing the IPO, the liabilities related to the convertible preferred stock warrants were re-classified to additional paid-in-capital and are no longer subject to re-measurement.

In connection with the completion of its IPO, on November 15, 2013, the Company filed an amended and restated certificate of incorporation and bylaws, which, among other things, changed the number of authorized shares of common stock to 300,000,000 shares and preferred stock to 5,000,000 shares.

On April 16, 2014, the Company completed an underwritten public offering of 4,130,611 shares of common stock at an offering price of $24.50 per share. The Company received aggregate net proceeds of $94.6 million, after deducting the underwriting discounts and offering related transaction costs.

On December 4, 2014, the Company filed a shelf registration statement on Form S-3, which permitted: (a) the offering, issuance and sale by the Company of up to a maximum aggregate offering price of $250.0 million of its common stock, preferred stock, debt securities, warrants and/or units; and (b) as part of the $250.0 million, the offering, issuance and sale by the Company of up to a maximum aggregate offering price of $70.0 million of its common stock that may be issued and sold under a sales agreement with Cantor Fitzgerald & Co in one or more at-the-market offerings. As of December 31, 2014, the Company had sold 514,710 shares pursuant to its at-the-market offering program at an average price of $32.17 for an aggregate offering price of $16.6 million and the Company received aggregate net proceeds of $16.1 million. During January and February 2015, the Company sold an additional 1,549,910 shares at an average price of $34.48 for an aggregate offering price of $53.4 million. The Company received aggregate net proceeds of $51.8 million.

On March 3, 2015, the Company completed an underwritten public offering of 4,485,000 shares of common stock at an offering price of $38.50 per share for gross proceeds of $172.3 million. The Company estimates net proceeds from the offering to be $161.9 million, after deducting the underwriting discounts and estimated expenses.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Relypsa and its wholly-owned subsidiary, Relypsa UK LTD, and have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”). Intercompany transactions and balances have been eliminated in consolidation.
Use of Estimates
The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. On an ongoing basis, management evaluates its estimates, including those related to clinical trial accruals, manufacturing accruals, fair value of assets and liabilities, common stock, income taxes, and stock-based compensation. Management bases its estimates on historical experience and on various other market-specific and relevant assumptions that management believes to be reasonable under the circumstances. Actual results could differ from those estimates.

Liquidity
The Company has never been profitable and, as of December 31, 2014, the Company has an accumulated deficit of $305.7 million. The Company has incurred net losses of approximately $79.9 million, $73.8 million and $43.7 million in the years ended December 31, 2014, 2013 and 2012, respectively. The Company expects to continue to incur net operating losses for at least the next two years, as the Company continues the development of, seeks regulatory approval for, and if approved, begins to commercialize, Patiromer FOS. The Company will need additional funding to support its future operating activities and adequate funding may not be available to the Company on acceptable terms, or at all. The Company’s failure to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on the business, results of operations, and financial condition. The Company will need to generate significant revenues to achieve profitability and may never do so.

Cash Equivalents
The Company considers all highly liquid investments purchased with original maturities of 90 days or less at the date of purchase to be cash equivalents.

Investments
Investments consist of debt securities classified as available-for-sale and have maturities greater than 90 days from the date of acquisition. Short-term investments have maturities than 365 days as of the balance sheet date. Long-term investments have maturities greater than 365 days as of the balance sheet date. Investments are carried at fair value based upon quoted market prices or pricing models for similar securities. Unrealized gains and losses on available-for-sale securities are excluded from earnings and are reported as a component of accumulated comprehensive income (loss). Realized gains or losses on the sale of all such securities are reported in interest and other income (expense), net and computed using the specific identification method.

Concentrations of Credit Risk
Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, cash equivalents and short-term investments. The Company invests its excess cash in money market accounts, U.S. Treasury notes, municipal bonds, agency bonds, corporate notes, certificates of deposit and commercial paper. Other than for obligations of the U.S. government, the Company’s policy is that no more than 5% of its investments may be concentrated in a single issuer. Bank deposits are held by a single financial institution having a strong credit rating and these deposits may at times be in excess of insured limits. The Company is exposed to credit risk in the event of a default by the financial institutions holding its cash, cash equivalents and short-term investments and issuers of investments to the extent recorded on the balance sheets. The Company’s investment policy limits investments to certain types of debt securities issued by the U.S. government, its agencies and institutions with investment-grade credit ratings and places restrictions on maturities and concentration by type and issuer.

Restricted Cash
Restricted cash related to the Company’s leases consist of irrevocable letters of credit that are collateralized by restricted deposits held at the Company’s bank over a term that is consistent with the corresponding lease.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the related assets, ranging from three to seven years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the respective assets.
Intangible Assets

Intangible assets consist of acquired patent rights that arose from the Company’s acquisition of assets from Ilypsa (See Note 9 for further details). Acquired patent rights were assigned an estimated useful life of seven years and are being amortized using the straight-line method. The carrying value of these patent rights has been fully amortized as of December 31, 2014.

Impairment of Long-Lived Assets

The Company identifies and records impairment losses on long-lived assets used in operations when events and changes in circumstances indicate that the carrying amount of an asset might not be recoverable. Recoverability is measured by comparing the anticipated undiscounted future net cash flows to the related asset’s carrying value. If an asset is considered impaired, the asset is written down to fair value, which is determined based either on discounted cash flows or appraised value, depending on the nature of the asset. The Company has not experienced any impairment during 2014, 2013, and 2012.

Research and Development Expenses

Research and development costs are charged to expense as incurred and consist of costs incurred to further the Company’s research and development activities including salaries and related employee benefits, costs associated with clinical trials, costs related to pre-commercialization manufacturing activities such as manufacturing process validation activities and the manufacturing of commercial supply prior to approval, nonclinical research and development activities, regulatory activities, research-related overhead expenses and fees paid to external service providers and contract research and manufacturing organizations that conduct certain research and development activities on behalf of the Company.

Clinical Trial Accruals

Clinical trial costs are a component of research and development expenses. The Company accrues and expenses clinical trial activities performed by third parties based upon actual work completed in accordance with agreements established with clinical research organizations and clinical sites. The Company determines the actual costs through discussions with internal personnel and external service providers as to the progress or stage of completion of trials or services and the agreed-upon fee to be paid for such services.

Contract Manufacturing Accruals

Contract Manufacturing costs are a component of research and development expenses. The Company accrues and expenses contract manufacturing activities performed by third parties based upon the actual or the estimated amount of work completed in accordance with agreements established with contract manufacturing organizations. The Company determines the actual costs or it estimates the costs through discussions with internal personnel and external service providers as to the manufacturing activities that were performed or completed and the agreed-upon fee to be paid for such services.

Income Taxes

The Company uses the liability method to account for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. Financial statement effects of uncertain tax positions are recognized when it is more–likely-than-not, based on the technical merits of the position, that they will be sustained upon examination. Interest and penalties related to unrecognized tax benefits are included within the provision for income tax.

Stock-Based Compensation

The Company accounts for stock-based compensation based on the fair value of the share-based awards that are ultimately expected to vest. The fair value of employee stock options granted is estimated on the date of grant using the Black-Scholes option pricing model, and is recognized in expense over the service period using the straight-line method, net of estimated forfeitures. Forfeiture estimates are adjusted to the extent that actual forfeitures differ from the prior estimates. The fair value of restricted stock unit awards used in the Company’s expense recognition method is based on the number of shares granted and the closing price of the Company’s common stock on the date of the grant. Such value is recognized as an expense over the service period using the straight-line method, net of estimated forfeitures. The Company adopted an employee stock purchase plan (ESPP) on November 2013 and in August 2014, the ESPP was initiated, pursuant to which eligible employees can purchase shares of the Company’s common stock at a price per share equal to the lesser of 85% of the fair market value on the first day of the offering period or 85% of the fair market value on the purchase date. The fair value of each award is estimated on the first day of the offering period using the Black-Scholes option pricing model and is recognized in expense over the service period using the straight-line method, net of estimated forfeitures.

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The Company records the expense attributable to nonemployee services paid with share-based awards based on the estimated fair value of the awards determined using the Black-Scholes option pricing model. The measurement of stock-based compensation for nonemployees is subject to periodic adjustments as the options vest, and the expense is recognized over the period during which services are received.

Convertible Preferred Stock
Prior to the Company’s IPO, the Company recorded all shares of convertible preferred stock at their respective fair values, net of issuance costs, on the dates of issuance. Upon completing the IPO, all shares of the Company’s convertible preferred stock then outstanding converted into 18,924,883 shares of our common stock.

Convertible Preferred Stock Warrant Liability
Prior to the Company’s IPO, freestanding warrants for shares that were either puttable or redeemable were classified as liabilities on the balance sheets and were carried at their estimated fair value. The preferred stock underlying the warrants was redeemable in certain circumstances. At the end of each reporting period, changes in the estimated fair value during the period were recorded in interest and other income (expense), net. The consummation of the Company’s IPO resulted in the conversion of all classes of the Company’s preferred stock into common stock. Upon such conversion of the underlying classes of preferred stock, the warrants were reclassified as a component of equity and were no longer subject to re-measurement.

Deferred Rent
Rent expense is recognized on a straight-line basis over the noncancelable term of the Company’s operating lease and, accordingly, the Company records the difference between cash rent payments and the recognition of rent expense as a deferred rent liability. In accordance with the terms of the lease for the Company’s office and laboratory space as of December 31, 2014, the Company also recorded lessor-funded lease incentives, such as reimbursable leasehold improvements, as a deferred rent liability, which is amortized as a reduction of rent expense over the noncancelable term of its operating lease. During June 2014, the lease was modified, see Note 8 for further details.

Net Loss per Common Share Attributable to Common Stockholders
Basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration for common stock equivalents. Diluted net loss per share of common stock is the same as basic net loss per share of common stock, since the effects of potentially dilutive securities are antidilutive. The net loss per share of common stock attributable to common stockholders is computed using the two-class method required for participating securities. All series of the Company’s convertible preferred stock are considered to be participating securities as they are entitled to participate in undistributed earnings with shares of common stock. Due to the Company’s net loss, there is no impact on earnings per share calculation in applying the two-class method since the participating securities have no legal requirement to share in any losses.

The following outstanding shares of common stock equivalents were excluded from the computations of diluted net loss per common share attributable to common stockholders for the periods presented as the effect of including such securities would be antidilutive (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>Convertible preferred stock—</td>
<td></td>
</tr>
<tr>
<td>as converted to common stock</td>
<td></td>
</tr>
<tr>
<td>Warrants to purchase convertible preferred stock—</td>
<td></td>
</tr>
<tr>
<td>as converted to common stock</td>
<td></td>
</tr>
<tr>
<td>Warrants to purchase common stock</td>
<td>56</td>
</tr>
<tr>
<td>Options to purchase common stock</td>
<td>3,813</td>
</tr>
<tr>
<td>Restricted stock units</td>
<td>123</td>
</tr>
<tr>
<td>Common stock subject to repurchase</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>3,993</td>
</tr>
</tbody>
</table>

Recent Accounting Pronouncements
In June 2014, FASB issued Accounting Standards Update No. 2014-10, Development Stage Entities: Elimination of Certain Financial Reporting Requirements. The update removes the definition of a development stage entity from FASB ASC 915 and eliminates the
requirement for development stage entities to present inception-to-date information on the statements of operations, cash flows and stockholders’ equity (deficit). The Company early adopted this standard for the period covered by the report herein.

In August 2014, FASB issued Accounting Standards Update No. 2014-15, Presentation of Financial Statements Going Concern – Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. The amendments require management to assess an entity’s ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments: (1) provide a definition of the term substantial doubt; (2) require an evaluation every reporting period including interim periods; (3) provide principles for considering the mitigating effect of management’s plans; (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management’s plans; (5) require an express statement and other disclosures when substantial doubt is not alleviated; and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). ASU 2014-15 will be effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016 with early adoption permitted. ASU 2014-15 will be effective for the Company beginning with its annual report for fiscal 2016 and interim periods thereafter. The Company has not yet determined the effect of the adoption of this standard on the Company’s consolidated financial statements.

3. Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value should maximize the use of observable inputs and minimize the use of unobservable inputs. The accounting guidance for fair value establishes a three-level hierarchy for disclosure of fair value measurements, as follows:

Level 1—Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2—Inputs (other than quoted market prices included in Level 1) that are either directly or indirectly observable, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the instrument’s anticipated life.

Level 3—Unobservable inputs that are supported by little or no market activity and reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following tables set forth the fair value of the Company’s consolidated financial instruments that were measured at fair value on a recurring basis as of December 31, 2014 and 2013 (in thousands):

<table>
<thead>
<tr>
<th>December 31, 2014</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market funds</td>
<td>$10,202</td>
<td>$——</td>
<td>$——</td>
<td>$10,202</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>$——</td>
<td>$71,763</td>
<td>$——</td>
<td>$71,763</td>
</tr>
<tr>
<td>Agency bonds</td>
<td>$——</td>
<td>$15,162</td>
<td>$——</td>
<td>$15,162</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>$——</td>
<td>$30,846</td>
<td>$——</td>
<td>$30,846</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>$10,202</td>
<td>$117,771</td>
<td>$——</td>
<td>$127,973</td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contingent put option liability</td>
<td>$——</td>
<td>$——</td>
<td>$233</td>
<td>$233</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$——</td>
<td>$——</td>
<td>$233</td>
<td>$233</td>
</tr>
<tr>
<td>December 31, 2013</td>
<td>Level 1</td>
<td>Level 2</td>
<td>Level 3</td>
<td>Total</td>
</tr>
<tr>
<td>Financial assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market funds</td>
<td>$93,523</td>
<td>$——</td>
<td>$——</td>
<td>$93,523</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>$93,523</td>
<td>$——</td>
<td>$——</td>
<td>$93,523</td>
</tr>
</tbody>
</table>
As of December 31, 2014, the Company’s Level 3 liability is comprised of a contingent put option liability. The following table sets forth a summary of the changes in the estimated fair value of the Company’s level 3 instruments, which are measured at fair value on a recurring basis (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of December 31, 2012</td>
<td>$19,529</td>
</tr>
<tr>
<td>Issuance of preferred stock warrants</td>
<td>7,554</td>
</tr>
<tr>
<td>Net increase in fair value included in other income (expense)</td>
<td>1,564</td>
</tr>
<tr>
<td>Reclassification of warrant liability to equity</td>
<td>(28,647)</td>
</tr>
<tr>
<td>Balance as of December 31, 2013</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of contingent put option liability</td>
<td>110</td>
</tr>
<tr>
<td>Increase in fair value included in other income (expense)</td>
<td>123</td>
</tr>
<tr>
<td>Balance as of December 31, 2014</td>
<td>$233</td>
</tr>
</tbody>
</table>

Where quoted prices are available in an active market, securities are classified as Level 1. The Company classifies money market funds as Level 1. When quoted market prices are not available for the specific security, then the Company estimates fair value by using benchmark yields, reported trades, broker/dealer quotes, and issuer spreads; these securities are classified as Level 2. The Company classifies corporate bonds, commercial paper, agency bonds and certificates of deposit as Level 2. In certain cases where there is limited activity or less transparency around inputs to valuation, securities are classified as Level 3. The Company classified a contingent put option liability as a Level 3 liability. See Note 7 “Borrowings,” for further description. The fair value of the contingent put option liability was determined by using a risk-neutral valuation model, wherein the fair value of the underlying debt facility is estimated both with and without the presence of the default provisions, holding all other assumptions constant. The resulting difference between the two estimated fair values is the estimated fair value of the default provisions, or the contingent put option. The fair value of the underlying debt facility is estimated by calculating the expected cash flows in consideration of an estimated probability of default and expected recovery rate in default, and discounting such cash flows back to the reporting date using a risk-free rate. The carrying value of the underlying debt facility or capital loan approximates fair value. Changes to the estimated fair value of the contingent put option will be recorded in interest and other income (expense), net in the consolidated statements of operations.

The carrying values of the Company’s financial instruments, such as cash equivalents, other receivables, accounts payable, accrued liabilities, and line of credit approximate fair value due to the short-term nature of these items.

The fair values of the Series A and B convertible preferred stock warrants were measured using the Black-Scholes option-pricing model. The Series C-1 convertible preferred stock warrants issued in conjunction with the capital loan and line of credit were also measured using the Black-Scholes option-pricing model. Inputs used to determine estimated fair value include the estimated fair value of the underlying stock at the valuation measurement date, volatility of the price of the underlying stock, the remaining contractual term of the warrants, risk-free interest rates and expected dividends. In connection with the Series C financing the Company issued warrants to purchase Series C-1 and Series C-2 convertible preferred stock at an exercise price of $0.17 per share. The Series C-1 and C-2 convertible preferred stock were valued using the probability-weighted expected return method (PWERM).

The Company’s C-2 convertible preferred stock was valued on October 10, 2013 using PWERM to allocate the enterprise value to the Company’s various equity components. Under this method, the per share value of each class of stock can be estimated based upon the probability-weighted present value of expected future equity values, under various possible future liquidity event scenarios. The future liquidity event scenarios and the probability of each were as follows: 1) initial public offering 65%; 2) remain private 10%; 3) strategic merger or sale 20%; or 4) dissolution or liquidation 5%. The estimated time to a liquidity event of two months and likelihood of the future liquidity event scenarios was determined based primarily on input from management of the Company.

Upon the Company’s IPO during November 2013, the Series A and B convertible preferred stock warrants were re-measured using the Black-Scholes option-pricing model and the Series C-1 and C-2 convertible preferred stock warrants were re-measured with the intrinsic value on the date of the IPO.

There were no transfers between Level 1, Level 2 and Level 3 during the periods presented.
4. Cash, Cash Equivalents, and Short-Term Investments

The following is a summary of cash, cash equivalents, and short-term investments (in thousands):

<table>
<thead>
<tr>
<th>December 31, 2014</th>
<th>Amortized Cost</th>
<th>Gross Unrealized Gains</th>
<th>Gross Unrealized Losses</th>
<th>Estimated Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and money market funds</td>
<td>$17,986</td>
<td>$—</td>
<td>$—</td>
<td>$17,986</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>71,794</td>
<td>2</td>
<td>(33)</td>
<td>71,763</td>
</tr>
<tr>
<td>Agency bonds</td>
<td>15,163</td>
<td>2</td>
<td>(3)</td>
<td>15,162</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>30,835</td>
<td>11</td>
<td>—</td>
<td>30,846</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>$135,778</td>
<td>$15</td>
<td>$36</td>
<td>$135,757</td>
</tr>
</tbody>
</table>

Reported as:
- Cash and cash equivalents: $30,264
- Short-term Investments: 105,493

<table>
<thead>
<tr>
<th>December 31, 2013</th>
<th>Amortized Cost</th>
<th>Gross Unrealized Gains</th>
<th>Gross Unrealized Losses</th>
<th>Estimated Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and money market funds</td>
<td>$94,759</td>
<td>$—</td>
<td>$—</td>
<td>$94,759</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>$94,759</td>
<td>$—</td>
<td>$—</td>
<td>$94,759</td>
</tr>
</tbody>
</table>

Reported as:
- Cash and cash equivalents: $94,759

For the years ended December 31, 2014 and 2013, there were no realized gains or losses on the available-for-sale securities.

All of the Company’s available-for-sale securities are subject to a periodic impairment review. The Company considers a debt security to be impaired when its fair value is less than its carrying cost, in which case the Company would further review the investment to determine whether it is other-than-temporarily impaired. When the Company evaluates an investment for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer and any changes thereto, intent to sell, and whether it is more likely than not the Company will be required to sell the investment before the recovery of its cost basis. If an investment is other-than-temporarily impaired, the Company writes it down through earnings to its impaired value and establishes that as a new cost basis for the investment. The Company did not identify any of its available-for-sale securities as other-than-temporarily impaired in any of the periods presented. As of December 31, 2014, no investment was in a continuous unrealized loss position for more than one year, the unrealized losses were not due to change in credit risk and the Company believes that is more likely than not the investments will be held until maturity or a forecasted recovery of fair value.

5. Property and Equipment

The following table is a summary of property and equipment (in thousands):

<table>
<thead>
<tr>
<th>December 31, 2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery and equipment</td>
<td>$2,829</td>
</tr>
<tr>
<td>Computers and software</td>
<td>657</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>6,135</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>1,009</td>
</tr>
<tr>
<td>Less accumulated depreciation and amortization</td>
<td>(7,163)</td>
</tr>
<tr>
<td></td>
<td>$3,467</td>
</tr>
</tbody>
</table>
Property and equipment depreciation and amortization expense was $4.8 million, $1.0 million and $0.4 million for the years ended December 31, 2014, 2013 and 2012, respectively. The increase in depreciation and amortization expense for 2014 is primarily attributable to the accelerated amortization of the leasehold improvements caused by the early termination of the related lease. See Note 8 for further details.

6. Accrued Liabilities
Accrued liabilities consisted of the following (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2014</th>
<th>December 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued contract manufacturing</td>
<td>$6,655</td>
<td>$3,617</td>
</tr>
<tr>
<td>Accrued accounts payable</td>
<td>795</td>
<td>771</td>
</tr>
<tr>
<td>Accrued professional and consulting services</td>
<td>184</td>
<td>85</td>
</tr>
<tr>
<td>Other</td>
<td>103</td>
<td>104</td>
</tr>
<tr>
<td>Accrued clinical trial expenses</td>
<td>41</td>
<td>1,370</td>
</tr>
<tr>
<td></td>
<td>$7,778</td>
<td>$5,947</td>
</tr>
</tbody>
</table>

7. Borrowings

Line of Credit
In July 2008, the Company entered into a $1.5 million equipment line of credit. The terms of repayment range from 36 months to 42 months, and the interest rate is fixed at 8%. During the year ended December 31, 2012, the equipment line of credit was fully repaid in accordance with the contractual terms.

In connection with the equipment line of credit, the Company issued warrants to purchase 2,616 shares of Series A-1 convertible preferred stock at an exercise price of $17.20. The warrants are exercisable upon issuance and expire ten years from the date of grant (July 2008). The aggregate value of the warrants on the date of issuance was $17,000, which was recorded as a liability and as debt issuance costs, which were amortized to interest expense over the term of the line of credit using the effective interest rate method. Upon the Company’s IPO during November 2013, the warrants for convertible preferred stock were converted to warrants for common stock and the related liability was re-classified to equity. As of December 31, 2014, these warrants were still outstanding.

Capital Loan
In 2008, the Company entered into a Capital Loan and Security Agreement and was advanced a total of $9.0 million. This debt took priority over other debts, with certain exceptions such as the line of credit. The term of the loan was 42 months, with payments of interest only over the first twelve months, followed by 30 equal monthly payments of principal and interest. The interest rate during the interest only period was fixed at 10% and during the remainder of the term the interest rate was fixed at 9.85%.

During the year ended December 31, 2010, the loan was amended, whereby the monthly installments were reduced and the interest rate increased to 11.85% for the April through August 2010 installments, and the subsequent monthly installments were increased. The end of term payment due on January 31, 2012, originally $0.1 million, was increased to $0.3 million. These changes were considered to be a loan modification and were accounted for prospectively as a yield adjustment. During the year ended December 31, 2012 the loan was fully repaid in accordance with the contractual terms.

In connection with the Capital Loan and Security Agreement, the Company issued warrants to purchase 26,162 shares of Series A convertible preferred stock. The aggregate value of the warrants of $0.2 million was recorded as a liability and as debt issuance costs, which were amortized to interest expense over the term of the agreement using the effective interest rate method. Upon the Company’s IPO during November 2013, the warrants to purchase convertible preferred stock were converted to warrants to purchase common stock. As a result of this conversion, the warrants ceased to be re-measured and the warrant liability was reclassified to equity. These were exercised during 2013, resulting in the net issuance of 9,800 shares of common stock.
Convertible Promissory Notes

On April 27, 2010 and July 27, 2010, the Company entered into convertible note and warrant purchase agreements with certain existing investors under which the Company issued convertible notes in an aggregate amount of $6.0 million at an interest rate of 8% per annum, due on September 30, 2010. The convertible notes could not be prepaid without the consent of the holders. The principal and the accrued interest under the convertible notes were automatically redeemable into the securities sold in the Company’s next equity financing which occurred in September 2010 when the Company sold shares of Series B-1 convertible preferred stock at a price of $13.502 per share. Concurrent with the closing of the financing and in accordance with the terms of the notes, the aggregate note principal and accrued interest totaling $6.1 million was converted into 453,953 shares of Series B-1 convertible preferred stock at $13.502 per share. Upon the Company’s IPO during November 2013, the Series B-1 convertible preferred stock were converted to common stock.

In connection with the issuance of convertible notes, the Company also issued warrants to purchase 88,868 shares of Series B-1 convertible preferred stock at an exercise price of $13.502 per share and with an aggregate fair value at issuance of $0.3 million. This amount was recorded as a convertible preferred stock warrant liability and as debt discount, which was fully amortized to interest expense during the year ended December 31, 2010. Upon the Company’s IPO during November 2013, the warrants to purchase convertible preferred stock were converted to warrants to purchase common stock. As a result of this conversion, the warrants ceased to be re-measured and the warrant liability was reclassified to equity. All of these warrants were exercised for cash or net exercised during 2013, resulting in the issuance of 44,713 shares of common stock.

Line of Credit

In May 2013, the Company entered into a $1.6 million equipment line of credit with a bank. The equipment line will be repaid in 36 equal monthly installments, and the interest rate is fixed at 5.75%. The Company will be required to make a final payment of 9.25% of the amounts advanced. The outstanding balance on the credit line is secured by a first priority lien over all equipment purchased using the line of credit. In connection with the Company’s equipment line of credit, the Company issued a warrant to purchase 6,968 shares of Series C-1 convertible preferred stock at an exercise price of $9.1848. Upon the Company’s IPO in November 2013, the warrants to purchase convertible preferred stock were converted to warrants to purchase common stock.

The fair value of the warrants of $25,000 at the issuance date was estimated using the Black-Scholes model with the following assumptions: a risk-free interest rate of 1.07%, a life of 7 years, a volatility factor of 91.6%, and no dividend yield. This amount is recorded as a debt discount, which is being amortized into interest expense over the repayment period. Interest expense was approximately $0.1 million, for the years ended December 31, 2014, and 2013. These were exercised during 2014, resulting in the net issuance of 3,998 shares of common stock.

The equipment line of credit includes customary operating but non-financial covenants, including limitations on the Company’s ability to incur additional indebtedness, issue dividends and transfer or encumber any collateral securing the debt, as well as a cross-default provision with regard to the Company’s term loan. The Company utilized $1.3 million of the line of credit in the second quarter of 2013, and the remaining $0.3 million balance available under the line of credit expired unused on June 30, 2013. As of December 31, 2014, principal of $0.6 million was outstanding under the line of credit, and the Company was in compliance with all required covenants.

Capital Loan

On May 30, 2014, the Company entered into an Amended and Restated Loan and Security Agreement (the Amended Loan Agreement) with Oxford Finance LLC and Silicon Valley Bank to amend and restate in its entirety the Loan and Security Agreement, (the Original Agreement), dated January 31, 2013. Per the terms of the Amended Loan Agreement, upon closing, the Company immediately drew $15.0 million, of which approximately $11.0 million was used to repay the outstanding debt under the Original Agreement, and approximately $0.4 million was used to satisfy the accrued portion of the final payment fee under the Original Agreement. Payments on the new $15.0 million loan will be interest only through January 2016, followed by 30 months of equal monthly payments of interest and principal. Due to the acceptance of the company’s New Drug Application for Patromer FOS by the U.S. Food and Drug Administration in December 2014, the interest only payment period was extended until January 2016 and the Company may, at its option, draw an additional $20.0 million between July 1, 2015 and December 31, 2015. The Company will be required to make a final payment upon loan maturity of 8.5% of the amounts advanced and the unaccrued portion of the final payment fee under the Original Agreement in the amount of approximately $0.4 million. The interest rate for the first tranche is 7.40% and the interest rate on the second tranche will be equal to the greater of (i) the three month LIBOR rate plus 7.17% or (ii) 7.40%.

On January 31, 2013, the Company issued warrants to purchase 54,437 shares of Series C-1 convertible preferred stock at an exercise price of $9.1848 in connection with the Original Agreement. Upon the Company’s IPO in November 2013, the warrants to purchase convertible preferred stock were converted to warrants to purchase common stock. 13,609 warrants were exercised during 2014, resulting in the net issuance of 7,808 shares of common stock.
On May 30, 2014, the Company issued warrants to purchase 12,661 shares of common stock at an exercise price of $23.69 in connection with the first $15.0 million tranche under the Amended Loan Agreement. The fair value of the warrants was $0.2 million at the issuance date and was estimated using the Black-Scholes model with the following assumptions: a risk-free interest rate of 2.06%, a life of 7 years, a volatility factor of 91.67%, and no dividend yield. This amount is recorded as a debt discount, which will be amortized into interest expense over the repayment period. Total interest expense was $1.7 million, and $1.3 million for the years ended December 31, 2014, and 2013.

Upon an event of default, Oxford Finance LLC and Silicon Valley Bank have the option to accelerate repayment of the Amended Loan Agreement, including payment of any applicable prepayment charges, which range from 1%-3% of the outstanding loan balance and accrued interest, as well as a final payment fee. This option is considered a contingent put option liability, as the holder of the loan may exercise the option in the event of default, and is considered an embedded derivative, which must be valued and separately accounted for in the Company’s financial statements. As of December 31, 2014 the estimated fair value of the contingent put option liability was $0.2 million, which was determined by using a risk-neutral valuation model, see Note 3 for details on fair value measurement of the option.

The Amended Loan Agreement includes customary operating but non-financial covenants, including limitations on the Company’s ability to incur additional indebtedness, issue dividends and transfer or encumber any collateral securing the debt, as well as a cross-default provision with regard to the Company’s equipment line of credit. As of December 31, 2014, principal of $15.0 million was outstanding under the Amended Loan Agreement, and the Company was in compliance with all required covenants.

8. Commitments and Contingencies

Lanxess Corporation

On January 9, 2014, the Company entered into a Manufacturing and Supply Agreement (the Lanxess Supply Agreement) with Lanxess that supersedes an earlier agreement, the Memorandum of Understanding that was executed on November 27, 2012. Under the Supply Agreement, Lanxess has agreed to manufacture and supply for commercial sale the active pharmaceutical ingredient (API) for Patiromer FOS. The Lanxess Supply Agreement terminates on December 31, 2020 unless terminated earlier. The Company may extend the Lanxess Supply Agreement for an additional five years with notice. The Lanxess Supply Agreement may be terminated (i) by the Company with notice if it abandons development or manufacturing of Patiromer FOS or fails to obtain FDA approval or the parties disagree regarding the feasibility or price of certain specification changes, or with notice at least 24 months in advance, which may be given after October 1, 2015, (ii) by Lanxess with notice if the Company fails to issue certain purchase orders, or with notice at least 24 months in advance, which may be given after October 1, 2015 and (iii) by either party with notice in the event of certain delays by the other party in performing its material obligations, or with notice if the parties fail to timely agree on certain price terms beginning in September 2015. Under the Lanxess Supply Agreement, Lanxess is obligated to manufacture the Company’s commercial supply of API for Patiromer FOS, and the Company is obligated to purchase from Lanxess such products manufactured, pursuant to the terms and conditions of the Lanxess Supply Agreement.

During 2013 and 2014, the Company paid Lanxess for plant modifications that are required to support the manufacturing scale up of API for Patiromer FOS in anticipation of commercial launch. These payments are recorded in other assets and are currently being amortized to research and development expenses in accordance with the period over which the Company expects to derive future economic value. Upon receiving FDA approval, the amortization cost will no longer be recognized as a research and development cost expense, but as an increase to the cost of inventory. Lanxess will have full ownership of the purchased equipment and may manufacture other products with the modified plant when not occupied by the production of API for Patiromer FOS.

DPx Fine Chemicals

On May 14, 2014, the Company entered into a Manufacturing and Supply Agreement (the DPx Supply Agreement) with DPx Fine Chemicals Austria GmbH & Co KG (DPx Fine Chemicals), formally DSM Fine Chemicals Austria NFG GMBH & Co. KG. Under the DPx Supply Agreement, DPx Fine Chemicals has agreed to manufacture and supply for commercial sale the API for Patiromer FOS. Under the DPx Supply Agreement, the Company is obligated to make certain minimum purchases of API. The DPx Supply Agreement may be terminated (i) by the Company with notice if it abandons development or commercialization of Patiromer FOS or fails to obtain FDA approval, or with 12 months’ notice and without cause after DPx Fine Chemicals’ manufacture and release of certain quantity of API; (ii) by DPx Fine Chemicals within 24 months’ notice and without cause after its manufacture and release of a certain quantity of API; and (iii) by either party with notice for the other party’s uncured material breach, insolvency, liquidation, bankruptcy or dissolution.

DPx Fine Chemicals has agreed to make plant modifications under the DPx Supply Agreement and will be the exclusive owner of the purchased equipment. DPx Fine Chemicals may manufacture other products with the modified plant when not occupied by the API for Patiromer FOS. Under the DPx Supply Agreement, the Company has agreed to reimburse DPx Fine Chemicals up to a specified amount for plant modifications. These payments are recorded in other assets and upon being placed into service, these payments will...
be amortized to research and development expenses in accordance with the period over which the Company expects to derive future economic value. Upon receiving FDA approval, the amortization cost will no longer be recognized as a research and development cost expense, but as an increase to the cost of inventory. DPx Fine Chemicals will have full ownership of the purchased equipment and may manufacture other products with the modified plant when not occupied by the production of API for Patiromer FOS.

Patheon

On September 5, 2014, the Company entered into a multi-year supply agreement (the Patheon Supply Agreement) with Patheon, Inc. (Patheon). Under the Patheon Supply Agreement, Patheon has agreed to manufacture and supply for commercial sale the bulk and finished drug product, referred to as Patiromer FOS. The Company has agreed to supply API for Patiromer FOS to Patheon for use in the manufacture and supply of the bulk and finished drug product, and has agreed, subject to certain conditions, to purchase certain quantities of bulk and finished drug product from Patheon. The Patheon Supply Agreement may be terminated by the Company with written notice under certain provisions.

Patheon has agreed to make facility improvements under the Patheon Supply Agreement and will be the exclusive owner of the purchased equipment and facility improvements. Patheon may manufacture other products with the facility improvements when not occupied by manufacturing Patiromer FOS. Under the Patheon Supply Agreement, the Company has agreed to reimburse Patheon up to a specified amount for plant modifications. These payments are recorded in other assets and upon being placed in service, these payments will be amortized to research and development expenses in accordance with the period over which the Company expects to derive future economic value. Upon receiving FDA approval, the amortization cost will no longer be recognized as a research and development cost expense, but as an increase to the cost of inventory.

The following are the combined future minimum payments under the terms of the Lanxess Supply Agreement, the DPx Supply Agreement, and Patheon Supply Agreement as of December 31, 2014. These amounts are based on forecasts that include estimates of future market demand, quantity discounts and manufacturing efficiencies (in thousands):

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>45,266</td>
</tr>
<tr>
<td>2016</td>
<td>41,174</td>
</tr>
<tr>
<td>2017</td>
<td>37,800</td>
</tr>
<tr>
<td>2018</td>
<td>42,400</td>
</tr>
<tr>
<td>2019</td>
<td>42,201</td>
</tr>
<tr>
<td>Thereafter</td>
<td>22,000</td>
</tr>
<tr>
<td>Total future minimum payments</td>
<td>$230,841</td>
</tr>
</tbody>
</table>

Operating Lease

On June 26, 2014, the Company entered into a new lease (the Lease) for office and laboratory facilities in Redwood City, California that will serve as the Company’s new principal executive offices. The Company currently leases office and laboratory space located in Redwood City, California pursuant to a lease dated September 7, 2012 (the Existing Lease) that commenced on January 1, 2013.

The Existing Lease provided the Company with a tenant improvement allowance in order for the Company to complete an office renovation and a lab build out. The Company accounted for the aggregate tenant improvement allowance received as leasehold improvement assets and as a deferred rent liability. These leasehold improvement assets were being amortized to depreciation expense over the shorter of the period from which the improvements were placed into service until the end of their useful life or until the end of the lease term. The deferred rent liability attributable to the leasehold improvement allowance was being amortized over the lease term as a credit to rent expense. Upon the execution of the Lease, the remaining net book value of the leasehold improvement assets and other assets to be abandoned upon the termination of the Existing Lease and the remaining deferred rent liability attributable to the improvement allowance were amortized or depreciated on a straight-line basis through February 28, 2015, which is the date the Company estimates it will have ceased using the premises. As of December 31, 2014, the remaining $1.5 million net book value of the leasehold improvements and other assets to be abandoned upon the termination of the Existing Lease and the remaining deferred rent liability of $1.2 million will be amortized or depreciated over the estimated remaining two months of the Existing Lease.

The Lease commenced on February 1, 2015 following the landlord’s construction of certain improvements to the premises required under the Lease. The Existing Lease terminates 60 days after the lease commencement date, and the Company will not be obligated to pay any base rent, expenses or other fees under the Existing Lease during the 60-day period after the Lease commences. The Lease terminates 10 years after commencement and the Company has an option to extend the Lease for an additional five years upon written notice to landlord. The long-term deferred rent of $1.0 million will be amortized over the Lease term of 10 years.
The Lease contains rent escalation provisions over the term of the Lease. In accordance with the terms of the Lease the Company provided a security deposit in the form of a $0.7 million irrevocable letter of credit that is collateralized by a $0.7 million restricted deposit at the Company’s bank. The total rent obligation will be expensed ratably over the term of the Lease.

Future minimum operating lease payments under the Lease at December 31, 2014, assuming the lease commences February 1, 2015 are as follows (in thousands):

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$2,178</td>
</tr>
<tr>
<td>2016</td>
<td>3,178</td>
</tr>
<tr>
<td>2017</td>
<td>3,340</td>
</tr>
<tr>
<td>2018</td>
<td>3,440</td>
</tr>
<tr>
<td>2019</td>
<td>3,543</td>
</tr>
<tr>
<td>Thereafter</td>
<td>20,064</td>
</tr>
<tr>
<td>Total future minimum payments</td>
<td>$35,743</td>
</tr>
</tbody>
</table>

The Company will be entitled to a one-time allowance of approximately $0.6 million for costs related to relocation, cabling, furniture, fixtures and equipment. The Company will also be entitled, at its election, to an additional allowance of approximately $2.2 million for certain move and tenant improvement related costs incurred by the Company prior to the second anniversary of the Lease commencement. In the event the Company elects to use all or any portion of the additional allowance, the base rent will increase.

Rent expense was $(2.1) million, $1.1 million and $1.5 million for the years ended December 31, 2014, 2013 and 2012, respectively. The Company recognized rent expense on a straight-line basis over the lease term. The negative rent expense of $2.1 million incurred for 2014 is primarily attributable to the accelerated amortization of the deferred rent liability attributable to the leasehold improvement allowance caused by the termination of the Existing Lease.

Indemnification

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnifications. The Company’s exposure under these agreements is unknown because it involves claims that may be made against the Company in the future, but have not yet been made. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations. However, the Company may record charges in the future as a result of these indemnification obligations. The Company also has indemnification obligations to its officers and directors for specified events or occurrences, subject to some limits, while they are serving at the Company’s request in such capacities. There have been no claims to date and the Company has director and officer insurance that may enable the Company to recover a portion of any amounts paid for future potential claims. The Company believes the fair value of these indemnification agreements is minimal. Accordingly, the Company has not recorded any liabilities for these agreements as of December 31, 2014.

9. Technology Agreement

During 2007, the Company acquired certain assets from Ilypsa, Inc. (Ilypsa), a wholly owned subsidiary of Amgen, Inc. (Amgen), consisting of certain property and equipment and intangible assets primarily relating to Ilypsa’s nonabsorbed polymer therapeutics clinical development programs.

During November 2009, the Company purchased from Ilypsa certain rights Ilypsa had retained in one of the clinical development programs that the Company had acquired in 2007 under an amended intellectual property agreement (the Amended Agreement).

The Amended Agreement also obligated the Company to make milestone payments to Ilypsa (Amgen) upon occurrence of certain events related to this program. In February 2013, the Company dosed its first patient in a pivotal clinical trial that is evaluating patiromer for the treatment of hyperkalemia and in March 2013, the Company made a $12.5 million milestone payment to Ilypsa (Amgen) in accordance with the Amended Agreement. Further, upon a change in control transaction, an additional payment could be owed to Ilypsa (Amgen) ranging from 6.7% to 10% of the purchase price, less certain expenses, up to a total of $30.0 million. The Company has no obligation to pay royalties on future sales of patiromer to Ilypsa (Amgen).

10. Convertible Preferred Stock and Stockholders’ Equity (Deficit)

Convertible Preferred Stock

During the year ended December 31, 2012, the Company issued 7,076,901 shares of Series C-1 convertible stock at a price of $9.1848 per share for aggregate proceeds of $65.0 million. Per the terms of the Series C Stock and Warrant Purchase Agreement, as amended (the “Series C Agreements”) if purchasers of Series C-1 shares purchased in excess of 100% of their pro rata share, they were issued
warrants to purchase two shares of Series C-1 for each Series C-1 share purchased in excess of their pro rata share. The Company issued warrants to purchase 2,076,643 shares of Series C-1 convertible stock that were immediately exercisable, have an exercise price of $0.17 per share and have a five year contractual life.

The terms of the Series C Agreements also required the holders of Series C-1 shares to purchase Series C-2 shares for $9.1848 per share in a second financing (the Series C-2 Financing) which would occur upon the Company’s cash balance falling below a defined level, or upon the election of holders of more than 50% of the Series C-1 shares. Notwithstanding this, each purchaser’s obligation to purchase shares at the Series C-2 closing shall terminate if holders of shares of convertible preferred stock representing at least 55% of the total number of shares of common stock into which the outstanding convertible preferred stock could be converted, voting together as a single class elect to terminate such obligation.

During October 2013, the Company issued 1,633,126 shares of Series C-2 convertible preferred stock at a price of $9.1848 per share for aggregate gross proceeds of $15.0 million. Per the terms of the Series C Preferred Stock and Warrant Purchase Agreement, as amended, if purchasers of Series C convertible preferred stock purchased in excess of 100% of their pro rata share, they were issued warrants to purchase two shares of Series C for each Series C share purchased in excess of their pro rata share. The Company issued warrants to purchase 479,221 shares of Series C-2 convertible preferred stock that were immediately exercisable, have an exercise price of $0.17 per share and had a five year contractual life. The warrants were valued at $15.308 per share at the time of issuance based on their intrinsic value. The warrants were determined to be a deemed dividend to preferred stockholders, and the $7.3 million fair value was classified as an increase to stockholders’ equity (deficit) and as a convertible preferred stock warrant liability. Upon the Company’s IPO during November 2013, the warrants to purchase convertible preferred stock were exercised into 472,187 shares of common stock. As a result of this conversion, the warrants ceased to be re-measured and the warrant liability was reclassified to equity.

As of December 31, 2013, the Company had no outstanding convertible preferred stock. Upon the Company’s IPO during November 2013, all outstanding shares of convertible preferred stock converted into 18,924,883 shares of common stock.

**Dividends**

The holders of convertible preferred stock are entitled to receive cumulative annual dividends at the rate of 8% of the applicable original issue price per annum, payable when, as, and if declared by the Board of Directors, prior and in preference to any declaration or payment of any dividend on the common stock of the Company. No dividends have been declared or paid through the date of conversion.

**Liquidation**

Upon liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, before any payment to holders of common stock, the holders of convertible preferred stock, are entitled to be paid out of the assets of the Company legally available for distribution up to the full preferential amounts (if any) to which the preferred holders are entitled.

**Conversion**

In accordance with the Amended and Restated Certificate of Incorporation, upon the Company’s IPO during November 2013, all shares of Series A, Series A-1, Series B-2, Series C-1 Series C-2 preferred stock converted into common stock on a one-for-one basis. The shares of Series B-1 preferred stock were converted into common stock on a one-for-1.47 basis.

**Shelf Registration Statement**

On December 4, 2014, the Company filed a shelf registration statement on Form S-3, which permitted: (a) the offering, issuance and sale by the Company of up to a maximum aggregate offering price of $250.0 million of its common stock, preferred stock, debt securities, warrants and/or units; and (b) as part of the $250.0 million, the offering, issuance and sale by the Company of up to a maximum aggregate offering price of $70.0 million of its common stock that may be issued and sold under a sales agreement with Cantor Fitzgerald & Co in one or more at-the-market offerings. As of December 31, 2014, the Company had sold 514,710 shares pursuant to its at-the-market offering program at an average price of $32.17 for an aggregate offering price of $16.6 million and the Company received aggregate net proceeds of $16.1 million.

**Common Stock**

The Company has issued options to purchase common stock that are subject to vesting and allow for early exercise. Unvested common stock is issued upon the early exercise of the options. The Company reserves the right to repurchase the unvested common stock in the event of employee termination. At the Company’s option, the repurchase price equals the lower of the share price paid by...
the employees or the fair market value as of the date of repurchase. The shares purchased by the employees pursuant to the early exercise of stock options are not deemed, for accounting purposes, to be issued until those shares vest. The cash received in exchange for exercised and unvested shares related to stock options granted is recorded as a liability for the early exercise of stock options on the accompanying balance sheets and will be transferred into common stock and additional paid-in capital as the shares vest. As of December 31, 2014, 2013 and 2012, there are 1,276, 5,125 and 6,627 shares respectively, of unvested common stock with an aggregate purchase price of $6,000, $23,000 and $27,000, respectively that are subject to repurchase at prices ranging from $3.96 to $7.40 per share, and are classified as a component of other accrued liabilities. The following table summarizes information about unvested common stock (in thousands except per share amounts):

<table>
<thead>
<tr>
<th>Shares</th>
<th>Weighted-Average Purchase Price ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>3.96</td>
</tr>
<tr>
<td>36</td>
<td>4.13</td>
</tr>
<tr>
<td>(40)</td>
<td>4.13</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>7</td>
<td>4.13</td>
</tr>
<tr>
<td>23</td>
<td>4.12</td>
</tr>
<tr>
<td>(25)</td>
<td>4.01</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>5</td>
<td>3.78</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>(3)</td>
<td>4.49</td>
</tr>
<tr>
<td>(1)</td>
<td>5.27</td>
</tr>
<tr>
<td>1</td>
<td>4.49</td>
</tr>
</tbody>
</table>

### 11. Equity Compensation Plans and Stock Based Compensation

The Company adopted the 2007 Equity Incentive Plan (the 2007 Plan) which provides for the granting of stock options to employees, directors and consultants of the Company. Options granted under the 2007 Plan may be either incentive stock options or nonqualified stock options. Incentive stock options may be granted only to Company employees. Nonqualified stock options may be granted to Company employees, outside directors and consultants. Options under the 2007 Plan may be granted for periods of up to ten years and are exercisable immediately, subject to rights of repurchase by the Company, which lapse over the period the applicable shares vest. Employee options granted by the Company generally vest over four years.

In November 2013, the Company’s stockholders approved the 2013 Equity Incentive Plan (the 2013 Plan). The number of shares which may be issued or transferred under the 2013 Plan shall be equal to the sum of 1,276,587 shares and any of the shares available for issuance under the 2007 Plan. Options granted under the 2013 Plan may be granted for periods of up to ten years and are generally exercisable when vested. As of December 31, 2014, the Company has reserved 531,213 shares of common stock for issuance under the 2013 Plan. In June 2014, the Company’s board of directors approved the 2014 Employment Commencement Incentive Plan (the Inducement Plan) under which 1,000,000 shares were reserved. As of December 31, 2014, 363,800 shares of the Company’s common stock were subject to inducement grants that were issued pursuant to the Inducement Plan. The awards were made pursuant to the NASDAQ inducement grant exception as a component of the Company’s new hires’ employment compensation.

The Company adopted the ESPP on November 2013 and in August 2014, the ESPP was initiated. A total of 255,317 shares of the Company’s common stock were originally reserved for issuance under the ESPP, which permits eligible employees to purchase common stock at a discount through payroll deductions. The ESPP is a compensatory plan as defined by the authoritative guidance for stock compensation. As such stock-based compensation expense of $0.1 million has been recorded during the twelve months ended December 31, 2014.
The following table summarizes option activity under the 2007 Plan, the 2013 Plan, and the Inducement Plan and related information (in thousands, except per share and contractual term amounts):

<table>
<thead>
<tr>
<th>Shares Available for Grant</th>
<th>Shares Subject to Outstanding Options</th>
<th>Weighted-Average Exercise Price Per Share</th>
<th>Weighted-Average Remaining Contractual Term (in years)</th>
<th>Aggregate Intrinsic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Options outstanding at December 31, 2011</td>
<td>57</td>
<td>1,491</td>
<td>4.13</td>
<td></td>
</tr>
<tr>
<td>Additional shares reserved under plan</td>
<td>718</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Options granted</td>
<td>(921)</td>
<td>921</td>
<td>3.96</td>
<td></td>
</tr>
<tr>
<td>Options exercised</td>
<td>—</td>
<td>(36)</td>
<td>4.13</td>
<td></td>
</tr>
<tr>
<td>Options forfeited</td>
<td>213</td>
<td>(213)</td>
<td>4.30</td>
<td></td>
</tr>
<tr>
<td>Options outstanding at December 31, 2012</td>
<td>67</td>
<td>2,163</td>
<td>4.13</td>
<td></td>
</tr>
<tr>
<td>Additional shares reserved under plan</td>
<td>2,571</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Options granted</td>
<td>(1,444)</td>
<td>1,444</td>
<td>7.91</td>
<td></td>
</tr>
<tr>
<td>Options exercised</td>
<td>—</td>
<td>(23)</td>
<td>4.12</td>
<td></td>
</tr>
<tr>
<td>Options forfeited</td>
<td>39</td>
<td>(39)</td>
<td>4.12</td>
<td></td>
</tr>
<tr>
<td>Options outstanding at December 31, 2013</td>
<td>1,233</td>
<td>3,545</td>
<td>5.63</td>
<td></td>
</tr>
<tr>
<td>Additional shares reserved under the Inducement plan</td>
<td>1,000</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Options granted</td>
<td>(1,004)</td>
<td>1,004</td>
<td>25.63</td>
<td></td>
</tr>
<tr>
<td>Restricted stock units granted</td>
<td>(130)</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Options exercised</td>
<td>—</td>
<td>(675)</td>
<td>4.31</td>
<td></td>
</tr>
<tr>
<td>Options forfeited</td>
<td>61</td>
<td>(61)</td>
<td>10.95</td>
<td></td>
</tr>
<tr>
<td>Restricted stock units cancelled</td>
<td>7</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Balances outstanding at December 31, 2014</td>
<td>1,167</td>
<td>3,813</td>
<td>$11.05</td>
<td>8.3</td>
</tr>
<tr>
<td>Vested and expected to vest at December 31, 2014</td>
<td>—</td>
<td>3,658</td>
<td>$10.79</td>
<td>8.3</td>
</tr>
<tr>
<td>Vested at December 31, 2014</td>
<td>—</td>
<td>1,427</td>
<td>$5.50</td>
<td>7.5</td>
</tr>
</tbody>
</table>

The aggregate intrinsic values of options outstanding and exercisable, vested and expected to vest were calculated as the difference between the exercise price of the options and the NASDAQ listing fair value of the Company’s common stock as of December 31, 2014.

The following table summarizes information about stock options outstanding at December 31, 2014:

<table>
<thead>
<tr>
<th>Exercise Price</th>
<th>Number Outstanding</th>
<th>Weighted Average Remaining Contractual Life (Years)</th>
<th>Weighted Average Exercise Price</th>
<th>Number Exercisable</th>
<th>Weighted Average Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2.76 - $4.30</td>
<td>1,285,437</td>
<td>7.3</td>
<td>$ 3.94</td>
<td>1,285,437</td>
<td>$ 3.94</td>
</tr>
<tr>
<td>$4.65 - $11.00</td>
<td>1,503,836</td>
<td>8.3</td>
<td>7.24</td>
<td>1,447,892</td>
<td>7.09</td>
</tr>
<tr>
<td>$19.41 - $22.52</td>
<td>336,750</td>
<td>9.7</td>
<td>20.69</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>$23.24 - $23.96</td>
<td>94,153</td>
<td>9.3</td>
<td>23.63</td>
<td>6,072</td>
<td>23.29</td>
</tr>
<tr>
<td>$25.70 - $41.40</td>
<td>592,535</td>
<td>9.6</td>
<td>28.65</td>
<td>12,499</td>
<td>33.76</td>
</tr>
<tr>
<td>Total</td>
<td>3,812,711</td>
<td>8.3</td>
<td>$11.05</td>
<td>2,751,900</td>
<td>$5.78</td>
</tr>
</tbody>
</table>

The weighted-average grant-date fair value of options granted during the years ended December 31, 2014, 2013, and 2012 was $19.77, $6.23, and $3.10, respectively. The total fair value of options that vested during the years ended December 31, 2014, 2013, 2012 was $9.1 million, $5.0 million, and $1.1 million, respectively. The intrinsic value (the difference between the fair value of the Company’s common stock at the exercise date and the exercise price) of the options exercised was $14.9 million, $158,000 and $8,000 during the years ended December 31, 2014, 2013 and 2012, respectively.
Stock-Based Compensation Expense

Stock-based compensation expense included in the Company’s consolidated statements of operations is as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Research and development:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>$ 1,657</td>
<td>$ 776</td>
<td>$ 117</td>
</tr>
<tr>
<td>Non-employee consultants</td>
<td>4,045</td>
<td>1,659</td>
<td>117</td>
</tr>
<tr>
<td><strong>Total stock-based compensation expense</strong></td>
<td>$ 9,695</td>
<td>$ 3,909</td>
<td>$ 1,177</td>
</tr>
</tbody>
</table>

The total unrecognized stock-based compensation expense related to stock options and ESPP stock purchase rights at December 31, 2014, was $29.7 million, and is expected to be recognized over a weighted-average period of approximately 2.9 years.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model. Since the Company has only been publicly traded for a short period and does not have adequate trading history for its common stock, the expected stock price volatility was calculated based on the average historical volatility for comparable publicly traded pharmaceutical companies. The Company selected companies with comparable characteristics, including enterprise value, risk profiles, position within the industry, and with historical share price information sufficient to meet the expected life of Relypsa’s stock-based awards.

The expected term of the options is based on the average period the stock options are expected to remain outstanding. As the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior, the expected term is calculated as the midpoint between the weighted-average vesting term and the contractual expiration period also known as the simplified method. The risk-free rate is based on U.S. Treasury zero coupon issues with remaining terms consistent with the expected terms of the stock options, as determined at the time of grant. To date, the Company has not declared or paid any cash dividends and does not have any plans to do so in the future. Therefore, the Company used an expected divided yield of zero.

The following table illustrates the assumptions for the Black-Scholes option-pricing model used in determining the fair value of options granted to employees:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected volatility</td>
<td>87-109%</td>
<td>95-110%</td>
<td>87-95%</td>
</tr>
<tr>
<td>Expected dividends</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Expected term (in years)</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Risk-free rate</td>
<td>1.6-2.0%</td>
<td>1.1-1.8%</td>
<td>0.8-1.1%</td>
</tr>
</tbody>
</table>

In the years ended December 31, 2013 and 2012, the Company granted 290 and 29,651 common stock options, respectively, with exercise prices of $7.40 and $3.96, respectively, per share in exchange for services from non-employees. No common stock options were granted to non-employees in the year ended December 31, 2014. Outstanding non-employee options are primarily related to employees who converted to consultants in 2014 and 2013. Stock-based compensation expense related to stock options granted to non-employees is measured and recognized as the stock options are earned. The Company believes that the estimated fair value of the stock options is more readily measurable than the fair value of the services rendered.

The fair value of non-employee stock options was calculated using the Black-Scholes valuation model, based on the following assumptions:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected volatility</td>
<td>92%</td>
<td>91%-122%</td>
<td>83%</td>
</tr>
<tr>
<td>Expected dividends</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Expected term (in years)</td>
<td>7.9</td>
<td>5.10</td>
<td>9.10</td>
</tr>
<tr>
<td>Risk-free rate</td>
<td>1.8-2.0%</td>
<td>1.3-2.7%</td>
<td>1.6-1.7%</td>
</tr>
</tbody>
</table>
Restricted Stock Units

During 2014, the Company granted restricted stock unit (“RSUs”) awards subject to performance vesting criteria and subject to time vesting criteria from the 2013 Plan. RSUs subject to performance vesting criteria consist of the right to receive shares of common stock, subject to achievement of time-based criteria and certain corporate performance-related goals over a specified period. RSUs subject to time vesting criteria entitle holders to receive shares of common stock at the end of a specified period of time. For RSUs subject to time vesting criteria, vesting is based on continuous employment or service of the holder. The fair value of RSUs is measured based on the number of shares granted and the closing market price of our common stock on the date of grant.

The following table summarizes RSU activity for the twelve months ended December 31, 2014 (in thousands, except per share amounts):

<table>
<thead>
<tr>
<th>Restricted Stock Units</th>
<th>Number of Shares</th>
<th>Weighted Average Grant Date Fair Value Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonvested at December 31, 2013</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Granted</td>
<td>130</td>
<td>27.07</td>
</tr>
<tr>
<td>Vested</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canceled</td>
<td>(7)</td>
<td>30.96</td>
</tr>
<tr>
<td>Nonvested at December 31, 2014</td>
<td>123</td>
<td>$26.85</td>
</tr>
</tbody>
</table>

As of December 31, 2014, none of the RSUs granted by the Company have vested.

The total unrecognized stock-based compensation expense related to non-vested RSUs at December 31, 2014, was $2.9 million, and is expected to be recognized over a weighted-average period of approximately 3.5 years.

12. Income Taxes

The Company did not record a provision or benefit for income taxes during the years ended December 31, 2014, 2013, and 2012.

The reconciliation of the statutory federal income tax rate to the Company’s effective tax rate is as follows:

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal statutory rate</td>
<td>34.0%</td>
<td>34.0%</td>
<td>34.0%</td>
</tr>
<tr>
<td>State statutory rate</td>
<td>5.8</td>
<td>5.8</td>
<td>5.8</td>
</tr>
<tr>
<td>Research and development tax credit</td>
<td>2.3</td>
<td>1.7</td>
<td>1.4</td>
</tr>
<tr>
<td>Permanent item</td>
<td>(1.0)</td>
<td>(1.0)</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(41.1)</td>
<td>(40.5)</td>
<td>(40.4)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>—%</td>
<td>—%</td>
<td>—%</td>
</tr>
</tbody>
</table>

At December 31, 2014, the Company had total deferred tax assets of $108.8 million. Due to uncertainties surrounding its ability to generate future taxable income to realize these tax assets, a full valuation has been established to offset total deferred tax assets.

The tax effects of temporary differences and carryforwards that give rise to significant portions of the deferred tax assets are as follows (in thousands):

<table>
<thead>
<tr>
<th>December 31,</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal and state net operating loss carryforwards</td>
<td>$91,604</td>
<td>$64,768</td>
<td>$40,323</td>
</tr>
<tr>
<td>Federal and state research and development credits</td>
<td>6,253</td>
<td>4,703</td>
<td>3,550</td>
</tr>
<tr>
<td>Depreciation</td>
<td>3,036</td>
<td>1,538</td>
<td>1,421</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>—</td>
<td>(6)</td>
<td>(12)</td>
</tr>
<tr>
<td>Accruals and reserves</td>
<td>7,900</td>
<td>4,942</td>
<td>2,718</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>108,793</td>
<td>75,945</td>
<td>48,000</td>
</tr>
<tr>
<td>(108,793)</td>
<td>(75,945)</td>
<td>(48,000)</td>
<td></td>
</tr>
<tr>
<td>Net deferred tax assets</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>
No tax benefit has been recorded through December 31, 2014, 2013 and 2012, because of the Company’s history of operating losses, and a full valuation allowance has been provided. The Company’s valuation allowance increased by $32.8 million, $27.9 million and $7.5 million for the years ended December 31, 2014, 2013 and 2012, respectively.

As of December 31, 2014, the Company had net operating loss carryforwards of approximately $240.1 million and $234.3 million that may be available, subject to the limitations described below, to reduce future taxable income, if any, for federal and California state income tax purposes, respectively. The federal and state net operating loss carryforwards will begin to expire in 2027 and 2017, respectively. Included in the gross amount, approximately $9.3 million of net operating loss is created by excess stock option deductions. A credit to additional paid-in capital will be recorded when the excess stock option deduction reduces the income tax payable.

Additionally, the future utilization of the net operating loss carry forwards to offset future taxable income may be subject to an annual limitation, pursuant to Internal Revenue Code Section 382, as a result of ownership changes that may have occurred previously or that could occur in the future. The Company performed an initial analysis under Section 382. As a result of this analysis, the Company removed the deferred tax assets for net operating losses of $28.6 million generated through December 31, 2014 from its deferred tax asset schedule and have recorded a corresponding decrease to the valuation allowance. When this analysis is finalized, the deferred tax asset schedule and associated valuation allowance will be updated. Due to the existence of the valuation allowance, future changes in unrecognized tax benefits will not impact the Company’s effective tax rate.

As of December 31, 2014, the Company had research and development credit carryforwards of approximately $5.2 million and $5.6 million available to reduce future tax expense, if any, for federal and California state income tax purposes, respectively. The federal credits expire beginning in 2027, and the California credits carry forward indefinitely. Further, the future utilization of the research and development credit carryforwards are also subject to the limitations as discussed above.

The Company recognizes uncertain tax positions when it is more-likely-than-not, based on the technical merits, that the position will not be sustained upon examination. A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1</td>
<td>$2,476</td>
<td>$1,836</td>
<td>$1,455</td>
</tr>
<tr>
<td>Increases related to current period tax positions</td>
<td>713</td>
<td>588</td>
<td>350</td>
</tr>
<tr>
<td>Increases related to prior period tax positions</td>
<td>—</td>
<td>52</td>
<td>31</td>
</tr>
<tr>
<td>Balance as of December 31</td>
<td>$3,189</td>
<td>$2,476</td>
<td>$1,836</td>
</tr>
</tbody>
</table>

As of December 31, 2014, due to a valuation allowance against the Company’s deferred tax assets, none of the unrecognized tax benefits, if recognized, would affect the Company’s effective tax rate. The Company is subject to U.S. federal and state income tax examination for fiscal tax years ending 2011 through 2014. The U.S. federal and U.S. state taxing authorities may choose to audit tax returns for tax years beyond the statute of limitation period due to significant tax attribute carryforwards from prior years, making adjustments only to carryforward attributes. The Company’s policy is to include interest and penalties related to unrecognized tax benefits within the Company’s provision for income taxes and to date have not recorded any interest or penalties. The Company is not currently under an examination and does not expect material changes to its unrecognized tax benefits in the next twelve months.

13. 401(k) Savings Plan

The Company sponsors a 401(k) Plan to provide retirement and incidental benefits for its employees. Employees may contribute from 1% to 90% of their annual compensation to the 401(k) Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Company does not make matching contributions to the 401(k) Plan.

14. Related Party Transaction

Consulting Agreement with Dr. Klaus Veitinger

In October 2010, the Company entered into a Consulting and Independent Contractor Agreement with an entity controlled by Dr. Klaus Veitinger, a member of its board of directors, under which Dr. Veitinger provides certain consulting services to the Company in connection with patiromer. This agreement was terminated in conjunction with the Company’s IPO that was completed in November 2013. Pursuant to this agreement the Company paid approximately $0.1 million and $0.2 million in 2013 and 2012, respectively.
15. Subsequent Events

During January and February 2015, the Company sold 1,549,910 shares pursuant to its at-the-market offering program at an average price of $34.48. The Company received aggregate net proceeds of $51.8 million.

On March 3, 2015, the Company completed an underwritten public offering of 4,485,000 shares of common stock at an offering price of $38.50 per share for gross proceeds of $172.3 million. The Company estimates net proceeds from the offering to be $161.9 million, after deducting the underwriting discounts and estimated expenses.

The financial statements as of December 31, 2014, including share and per share amounts, do not include the effects of either offering.

The table below shows, on a pro forma basis, the impact of the Company’s offering on certain condensed balance sheet items. The as adjusted condensed balance sheet data below gives effect to the sale of 6,034,910 shares of securities.

<table>
<thead>
<tr>
<th>Balance Sheet Data:</th>
<th>As of December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
</tr>
<tr>
<td></td>
<td>(unaudited)</td>
</tr>
<tr>
<td>Cash, cash equivalents and short-term investments</td>
<td>$135,757</td>
</tr>
<tr>
<td>Working capital</td>
<td>122,291</td>
</tr>
<tr>
<td>Total assets</td>
<td>151,839</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(305,728)</td>
</tr>
<tr>
<td>Total stockholders’ equity</td>
<td>118,461</td>
</tr>
</tbody>
</table>

100
The following table contains quarterly financial information for 2014 and 2013. The Company believes that the following information reflects all normal recurring adjustments necessary for a fair statement of the information for the periods presented. The operating results for any quarter are not necessarily indicative of results for any future period.

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development (1)</td>
<td>$ 16,596</td>
<td>$ 11,647</td>
<td>$ 11,075</td>
<td>$ 10,909</td>
<td>$ 10,914</td>
<td>$ 12,158</td>
<td>$ 13,295</td>
<td>$ 22,604</td>
</tr>
<tr>
<td>General and administrative</td>
<td>10,486</td>
<td>7,311</td>
<td>5,322</td>
<td>4,795</td>
<td>3,732</td>
<td>2,685</td>
<td>2,988</td>
<td>2,535</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>27,082</td>
<td>18,958</td>
<td>16,397</td>
<td>15,704</td>
<td>14,646</td>
<td>14,843</td>
<td>16,283</td>
<td>25,139</td>
</tr>
<tr>
<td><strong>Loss from operations</strong></td>
<td>(27,082)</td>
<td>(18,958)</td>
<td>(16,397)</td>
<td>(15,704)</td>
<td>(14,646)</td>
<td>(14,843)</td>
<td>(16,283)</td>
<td>(25,139)</td>
</tr>
<tr>
<td>Interest and other income (expense), net (2)</td>
<td>69</td>
<td>17</td>
<td>36</td>
<td>27</td>
<td>13,314</td>
<td>(10,382)</td>
<td>(3,549)</td>
<td>(864)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(635)</td>
<td>(494)</td>
<td>(376)</td>
<td>(391)</td>
<td>(407)</td>
<td>(410)</td>
<td>(388)</td>
<td>(248)</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>(27,648)</td>
<td>(19,435)</td>
<td>(16,737)</td>
<td>(16,068)</td>
<td>(13,314)</td>
<td>(10,382)</td>
<td>(3,549)</td>
<td>(864)</td>
</tr>
<tr>
<td>Deemed dividend to preferred stockholders (3)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Net loss attributable to common stockholders</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Net loss per share attributable to common stockholders basic and diluted</strong></td>
<td>$(0.80)</td>
<td>$(0.57)</td>
<td>$(0.51)</td>
<td>$(0.54)</td>
<td>$(0.68)</td>
<td>$(79.91)</td>
<td>$(64.87)</td>
<td>$(84.61)</td>
</tr>
</tbody>
</table>

| Weighted average common shares used to compute net loss per share attributable to common stockholders, basic and diluted (4) | 34,368,776 | 34,064,780 | 33,141,384 | 29,710,415 | 13,430,244 | 320,802 | 311,703 | 310,275 |

(1) During the quarter ended March 31, 2013, a $12.5 million milestone payment was made to Amgen pursuant to the amended and restated IP license and assignment agreement, resulting from the initiation of dosing in the pivotal Phase 3 trial for patiromer.

(2) During 2013 interest and other income (expense), net is primarily related to the change in value of warrants to acquire convertible preferred stock that were issued in connection with preferred stock financings, capital loan and equipment line of credit.

(3) During 2013, the Company recognized deemed dividends to preferred stockholders as a result of the issuance of warrants as part of the C-2 financing.

(4) During the quarter ended December 31, 2013, shares outstanding increased as a result of the initial public offering of the Company’s common stock and the conversion of convertible preferred stock and warrants into common stock.
PART IV.

Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this Annual Report on 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 Comprehensive Loss
   - Statements of Convertible Preferred Stock and Stockholders’ Equity (Deficit)
   - Statements of Cash Flows
   - Notes to Financial Statements

(b) Financial Statement Schedules

   All other financial statement schedules are omitted because the information is inapplicable or presented in the notes to the financial statements.

(b) Reference is made to the Exhibit Index accompanying this Annual Report on Form 10-K.
SIGNATURES

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

RELYPSA, INC.

March 11, 2015

By: ________________________________
    John A. Orwin
    President, Chief Executive Officer
    and Director

/s/ JOHN A. ORWIN

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KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of John A. Orwin, Kristine M. Ball and Ronald A. Krasnow his or her true and lawful attorney-in-fact and agent, with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this annual report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has executed this Power of Attorney as of the date indicated opposite his/her name.

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

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/ JOHN A. ORWIN</td>
<td>President, Chief Executive Officer and Director</td>
<td>March 11, 2015</td>
</tr>
<tr>
<td>John A. Orwin</td>
<td>(Principal Executive Officer)</td>
<td></td>
</tr>
<tr>
<td>/s/ KRISTINE M. BALL</td>
<td>Chief Financial Officer</td>
<td>March 11, 2015</td>
</tr>
<tr>
<td>Kristine M. Ball</td>
<td>(Principal Financial and Accounting Officer)</td>
<td></td>
</tr>
<tr>
<td>/s/ JOHN P. BUTLER</td>
<td>Director</td>
<td>March 11, 2015</td>
</tr>
<tr>
<td>John P. Butler</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ PAUL J. HASTINGS</td>
<td>Director</td>
<td>March 11, 2015</td>
</tr>
<tr>
<td>Paul J. Hastings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ KENNETH J. HILLAN</td>
<td>Director</td>
<td>March 11, 2015</td>
</tr>
<tr>
<td>Kenneth J. Hillan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ DAVID W.J. MCGIRR</td>
<td>Director</td>
<td>March 11, 2015</td>
</tr>
<tr>
<td>David W.J. McGirr</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ THOMAS J. SCHUETZ</td>
<td>Director</td>
<td>March 11, 2015</td>
</tr>
<tr>
<td>Thomas J. Schuetz</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ DANIEL K. SPIEGELMAN</td>
<td>Director</td>
<td>March 11, 2015</td>
</tr>
<tr>
<td>Daniel K. Spiegelman</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ HELEN I. TORLEY</td>
<td>Director</td>
<td>March 11, 2015</td>
</tr>
<tr>
<td>Helen I. Torley</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ KLAUS VEITINGER</td>
<td>Director</td>
<td>March 11, 2015</td>
</tr>
<tr>
<td>Klaus Veitinger</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exhibit Number</td>
<td>Exhibit Description</td>
<td>Form</td>
</tr>
<tr>
<td>----------------</td>
<td>--------------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>3.1</td>
<td>Amended and Restated Certificate of Incorporation.</td>
<td>8-K</td>
</tr>
<tr>
<td>3.2</td>
<td>Amended and Restated Bylaws.</td>
<td>8-K</td>
</tr>
<tr>
<td>4.1</td>
<td>Reference is made to Exhibits 3.1 through 3.2.</td>
<td></td>
</tr>
<tr>
<td>4.2</td>
<td>Form of Common Stock Certificate.</td>
<td>S-1/A</td>
</tr>
<tr>
<td>4.3</td>
<td>Warrant to purchase common stock issued to Silicon Valley Bank in connection with the equipment line of credit pursuant to the Loan and Security Agreement, dated as of July 30, 2008, by and between Silicon Valley Bank and Relypsa, Inc.</td>
<td>S-1</td>
</tr>
<tr>
<td>4.5</td>
<td>Form of warrant to purchase common stock in connection with the Amended and Restated Loan and Security Agreement, dated as of May 30, 2014, by and among Oxford Finance LLC, Silicon Valley Bank and Relypsa, Inc.</td>
<td>8-K</td>
</tr>
<tr>
<td>10.1(a)†</td>
<td>Amended and Restated Intellectual Property License and Assignment Agreement, dated as of November 23, 2009, by and between Relypsa, Inc. and Ilypsa, Inc.</td>
<td>S-1/A</td>
</tr>
<tr>
<td>10.1(b)</td>
<td>Letter amendment to Amended and Restated Intellectual Property License and Assignment Agreement, dated as of October 28, 2014, by and between Ilypsa, Inc. and Relypsa, Inc.</td>
<td>10-Q</td>
</tr>
<tr>
<td>10.2(a)</td>
<td>Second Amended and Restated Investor Rights Agreement dated as of July 26, 2012, by and among Relypsa, Inc. and the investors listed therein.</td>
<td>S-1</td>
</tr>
<tr>
<td>10.2(b)</td>
<td>Amendment No. 1 to Second Amended and Restated Investor Rights Agreement, dated October 30, 2013, by and among Relypsa, Inc. and the signatories thereto.</td>
<td>S-1/A</td>
</tr>
<tr>
<td>10.3(a)</td>
<td>Amended and Restated Loan and Security Agreement, dated as of May 30, 2014, among Oxford Finance LLC, Silicon Valley Bank and Relypsa, Inc.</td>
<td>8-K</td>
</tr>
<tr>
<td>10.3(b)</td>
<td>Consent and First Amendment to Amended and Restated Loan and Security Agreement, dated as of June 26, 2014, by and among Oxford Finance LLC, Silicon Valley Bank and Relypsa, Inc.</td>
<td>8-K</td>
</tr>
<tr>
<td>10.3(c)</td>
<td>Consent and Second Amendment to Amended and Restated Loan and Security Agreement, dated as of October 24, 2014, by and among Oxford Finance LLC, Silicon Valley Bank and Relypsa, Inc.</td>
<td>10-Q</td>
</tr>
<tr>
<td>10.4(a)</td>
<td>Loan and Security Agreement, dated as of May 2, 2013, by and among Silicon Valley Bank, Relypsa Inc. and Relypsa 106, LLC.</td>
<td>S-1</td>
</tr>
<tr>
<td>10.4(b)</td>
<td>First Amendment to Loan and Security Agreement, dated as of July 26, 2013 by and among Silicon Valley Bank, Relypsa, Inc. and Relypsa 106, LLC.</td>
<td>S-1</td>
</tr>
<tr>
<td>10.4(c)</td>
<td>Consent and Second Amendment to Loan and Security Agreement, dated as of October 24, 2014, by and between Silicon Valley Bank and Relypsa, Inc.</td>
<td>10-Q</td>
</tr>
<tr>
<td>10.5†</td>
<td>Manufacturing and Supply Agreement effective as of November 27, 2012 by and between Lanxess Corporation and Relypsa, Inc.</td>
<td>10-K</td>
</tr>
<tr>
<td>10.6†</td>
<td>Manufacturing and Supply Agreement, effective as of May 14, 2014, by and between Relypsa, Inc. and DSM Fine Chemicals Austria NFG GMBH &amp;CO. KG.</td>
<td>10-Q</td>
</tr>
<tr>
<td>Exhibit Number</td>
<td>Exhibit Description</td>
<td>Form</td>
</tr>
<tr>
<td>----------------</td>
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</tr>
<tr>
<td>10.7†</td>
<td>Supply Agreement, effective as of August 15, 2014, by and between Patheon, Inc. and Relypsa, Inc.</td>
<td>10-Q/A</td>
</tr>
<tr>
<td>10.8(a)</td>
<td>Lease, dated September 7, 2012, by and between HCP LS Redwood City, LLC and Relypsa, Inc.</td>
<td>S-1</td>
</tr>
<tr>
<td>10.8(b)</td>
<td>First Amendment to Lease, dated as of April 24, 2014, by and between HCP LS Redwood City, LLC and Relypsa, Inc.</td>
<td>8-K</td>
</tr>
<tr>
<td>10.8(c)</td>
<td>Lease, dated as of June 26, 2014, by and between HCP LS Redwood City, LLC and Relypsa, Inc.</td>
<td>8-K</td>
</tr>
<tr>
<td>10.9(a)#</td>
<td>Relypsa, Inc. Amended and Restated 2007 Equity Incentive Plan.</td>
<td>S-1</td>
</tr>
<tr>
<td>10.9(b)#</td>
<td>Form of Stock Option Grant Notice and Stock Option Agreement under the Amended and Restated 2007 Equity Incentive Plan</td>
<td>S-1</td>
</tr>
<tr>
<td>10.9(c)#</td>
<td>Form of Restricted Stock Purchase Grant Notice and Restricted Stock Purchase Agreement under the Amended and Restated 2007 Equity Incentive Plan</td>
<td>S-1</td>
</tr>
<tr>
<td>10.10(a)#</td>
<td>Relypsa, Inc. 2013 Equity Incentive Award Plan.</td>
<td>10-K</td>
</tr>
<tr>
<td>10.10(b)#</td>
<td>Form of Stock Option Grant Notice and Stock Option Agreement under the 2013 Equity Incentive Award Plan</td>
<td>S-1</td>
</tr>
<tr>
<td>10.10(c)#</td>
<td>Form of Restricted Stock Award Grant Notice and Restricted Stock Award Agreement under the 2013 Equity Incentive Award Plan</td>
<td>S-1</td>
</tr>
<tr>
<td>10.10(d)#</td>
<td>Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement under the 2013 Equity Incentive Award Plan</td>
<td>S-1</td>
</tr>
<tr>
<td>10.11#</td>
<td>Relypsa, Inc. 2013 Employee Stock Purchase Plan.</td>
<td>10-K</td>
</tr>
<tr>
<td>10.12(a)#</td>
<td>Relypsa, Inc. 2014 Employment Commencement Incentive Plan.</td>
<td>10-Q</td>
</tr>
<tr>
<td>10.12(b)#</td>
<td>Form of Stock Option Grant Notice and Stock Option Agreement under the Relypsa, Inc. 2014 Employment Commencement Incentive Plan</td>
<td>10-Q</td>
</tr>
<tr>
<td>10.13#</td>
<td>Non-Employee Director Compensation Program.</td>
<td>10-K</td>
</tr>
<tr>
<td>10.15(a)#</td>
<td>Offer Letter, by and between Relypsa, Inc. and John Orwin, dated April 26, 2013.</td>
<td>S-1</td>
</tr>
<tr>
<td>10.15(b)#</td>
<td>First Amendment to Offer Letter Agreement, effective as of August 8, 2014, by and between Relypsa, Inc. and John A. Orwin</td>
<td>10-Q</td>
</tr>
<tr>
<td>10.16#</td>
<td>Employment Agreement, by and between Relypsa, Inc. and Kristine Ball, effective as of September 24, 2013.</td>
<td>S-1/A</td>
</tr>
<tr>
<td>10.17#</td>
<td>Employment Agreement, by and between Relypsa, Inc. and Lance Berman, effective as of September 24, 2013.</td>
<td>S-1/A</td>
</tr>
<tr>
<td>10.18#</td>
<td>Employment Agreement, by and between Relypsa, Inc. and Wilhelm Stahl, effective as of September 24, 2013.</td>
<td>S-1/A</td>
</tr>
<tr>
<td>10.19#</td>
<td>Employment Agreement, by and between Relypsa, Inc. and Claire Lockey, effective as of September 24, 2013.</td>
<td>S-1/A</td>
</tr>
<tr>
<td>10.20#</td>
<td>Employment Agreement, by and between Relypsa, Inc. and Ronald A. Krasnow, effective as of September 24, 2013.</td>
<td>S-1/A</td>
</tr>
<tr>
<td>10.21#</td>
<td>Employment Agreement, by and between Relypsa, Inc. and Mary Corbett, effective as of December 16, 2013.</td>
<td>10-K</td>
</tr>
<tr>
<td>Exhibit Number</td>
<td>Exhibit Description</td>
<td>Form</td>
</tr>
<tr>
<td>---------------</td>
<td>-------------------------------------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>10.22#</td>
<td>Employment Agreement, by and between Relypsa, Inc. and Scott Garland, effective as of October 31, 2014.</td>
<td></td>
</tr>
<tr>
<td>10.23#</td>
<td>Employment Agreement, by and between Relypsa, Inc. and Stephen D. Harrison, effective as of December 15, 2014.</td>
<td></td>
</tr>
<tr>
<td>23.1</td>
<td>Consent of independent registered public accounting firm.</td>
<td></td>
</tr>
<tr>
<td>24.1</td>
<td>Power of Attorney (included on signature page hereto).</td>
<td></td>
</tr>
<tr>
<td>31.1</td>
<td>Certification of Chief Executive Officer of Relypsa, Inc., as required by Rule 13a-14(a) or Rule 15d-14(a).</td>
<td></td>
</tr>
<tr>
<td>31.2</td>
<td>Certification of Chief Financial Officer of Relypsa, Inc., as required by Rule 13a-14(a) or Rule 15d-14(a).</td>
<td></td>
</tr>
<tr>
<td>32.1*</td>
<td>Certification by the Chief Executive Officer and Chief Financial Officer, as required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 36 of Title 18 of the United States Code (18 U.S.C. §1350)</td>
<td></td>
</tr>
<tr>
<td>101.INS</td>
<td>XBRL Instance Document.</td>
<td></td>
</tr>
<tr>
<td>101.SCH</td>
<td>XBRL Taxonomy Extension Schema Document</td>
<td></td>
</tr>
<tr>
<td>101.CAL</td>
<td>XBRL Taxonomy Extension Calculation Linkbase Document</td>
<td></td>
</tr>
<tr>
<td>101.DEF</td>
<td>XBRL Taxonomy Extension Definition Linkbase Document</td>
<td></td>
</tr>
<tr>
<td>101.LAB</td>
<td>XBRL Taxonomy Extension Labels Linkbase Document</td>
<td></td>
</tr>
<tr>
<td>101.PRE</td>
<td>XBRL Taxonomy Extension Presentation Linkbase Document</td>
<td></td>
</tr>
</tbody>
</table>

† Confidential treatment has been granted for certain information contained in this Exhibit. Such information has been omitted and filed separately with the SEC.

# Indicates management contract or compensatory plan.

* The certification attached as Exhibit 32.1 that accompanies this Annual Report on Form 10-K is not deemed filed with the SEC and is not to be incorporated by reference into any filing of Relypsa, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-K, irrespective of any general incorporation language contained in such filing.
This Employment Agreement (the “Agreement”) is made and entered into by and between Scott Garland (“Executive”) and Relypsa, Inc. (the “Company”) (together referred to herein as the “Parties”), effective as of October 31, 2014 (the “Effective Date”). This Agreement supersedes in its entirety that certain employment letter agreement dated as of September 23, 2014 (the “Prior Agreement”) and any agreement to which the Company is a party with respect to Executive’s employment with the Company, except for the Proprietary Information and Inventions Agreement executed by Executive (the “Confidential Information Agreement”).

RECIPIENTS

A. The Company desires to assure itself of the services of Executive by engaging Executive to perform services under the terms hereof.

B. Executive desires to provide services to the Company on the terms herein provided.

C. The Parties desire to execute this Agreement to supersede in its entirety the Prior Agreement and reflect certain changes to Executive’s employment with the Company effective as of the Effective Date.

D. Certain capitalized terms used in this Agreement are defined in Section 11 below.

In consideration of the foregoing, and for other good and valuable consideration, including the respective covenants and agreements set forth below, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. Employment.

   (a) General. The Company shall employ Executive as a full-time employee of the Company effective as of the Effective Date for the period and in the position set forth in this Section 1, and upon the other terms and conditions herein provided.

   (b) Term of Agreement. This Agreement shall become effective as of the Effective Date and terminate upon the date that all obligations of the parties hereto with respect to this Agreement have been satisfied.

   (c) Position and Duties. Executive shall have the title of Senior Vice President and Chief Commercial Officer, and shall report to the Chief Executive Officer of the Company. Executive shall also serve in such other capacity or capacities as the Company may from time to time prescribe. As a Company employee, Executive will be expected to comply with Company policies.

   (d) Location. Executive shall perform services for the Company at the Company’s offices located in Redwood City, California or, with the Company’s consent, at any other place at which the Company maintains an office; provided, however, that the Company may from time to time require Executive to travel temporarily to other locations in connection with the Company’s business.

   (e) Exclusivity. During the term of this Agreement, Executive shall devote Executive’s entire working time, attention and energies to the business of the Company and shall not (i) accept any other employment or consultancy or (ii) serve on the board of directors or similar body of any other entity; provided that Executive may engage in civic and not-for-profit activities, so long as such activities, in the aggregate, do not conflict with the interests of the Company or materially interfere with the performance of Executive’s duties to the Company. The Board has consented to Executive’s continuing service on the board of directors of which Executive is a member as set forth on Exhibit A attached hereto, which consent shall continue until such time as the Board provides notice to Executive that, in its reasonable judgment, such company competes with the Company, such service interferes with Executive’s duties to the Company or places Executive in a competing position, or otherwise conflicts with, the interests of the Company. Except with the prior written approval of the Board (which the Board may grant or withhold in its sole and absolute discretion), Executive will not, while employed with the Company, or during any period during which Executive is receiving compensation or any other consideration from the Company, engage, directly or indirectly, in any business activity (whether or not pursued for pecuniary advantage) that is or may be competitive with, or that might place Executive in a competing position to, that of the Company or any of its subsidiaries or affiliates and/or any of its affiliates, subsidiaries, or joint ventures currently existing or which shall be established during Executive’s employment by the Company (collectively, “Affiliates”) either directly or indirectly, in any manner or capacity, as adviser, principal, agent, affiliate, promoter, partner, officer, director, employee, stockholder, owner, co-
owner, consultant, or member of any association or otherwise, in any phase of the business of developing, manufacturing and marketing of products or services which are in the same field of use or which otherwise compete with the products or services or proposed products or services of the Company and/or any of its Affiliates. In addition, during Executive’s employment by the Company, Executive agrees not to acquire, assume or participate in, directly or indirectly, any position, investment or interest known by Executive to be adverse or antagonistic to the Company, its business or prospects, financial or otherwise or in any company, person or entity that is, directly or indirectly, in competition with the business of the Company or any of its Affiliates. Ownership by Executive, as a passive investment, of less than one percent (1%) of the outstanding shares of capital stock of any corporation with one or more classes of its capital stock listed on a national securities exchange or publicly traded on a national securities exchange or in the over-the-counter market shall not constitute breach of this Section 1(e).

2. **Compensation and Related Matters.**

(a) **Base Salary.** Executive’s annual base salary (“Base Salary”) will be $415,000, less payroll deductions and all required withholdings, payable in accordance with the Company’s normal payroll practices. The Board or a committee of the Board shall review Executive’s Base Salary periodically and any adjustments to Executive’s Base Salary, if any, will be made solely at the discretion of the Board or a committee of the Board.

(b) **Bonus.** Executive shall also be eligible for an annual discretionary bonus of 40% of Executive’s then-Base Salary as determined by the Board or a committee of the Board in its sole discretion, based upon the Board’s or a committee of the Board’s evaluation (in its sole discretion) of the achievement of specific individual and/or Company-wide performance goals. The applicable performance goals shall be established by the Board or a committee of the Board, in their sole discretion, and set out in writing on or before the 90th day of each calendar year. The annual discretionary bonus, if any, shall be payable, less authorized deductions and required withholdings, no later than March 15th following the end of the applicable calendar year. The amount of any annual discretionary bonus for which Executive is eligible shall be reviewed by the Board or a committee of the Board from time to time.

(c) **Equity Awards.** Subject to approval by the Board or the Compensation Committee of the Board, Executive shall be granted an option to purchase 100,000 shares of the Company’s common stock (the “New Hire Option”). The New Hire Option shall have a per share exercise price equal to the per share closing trading price of the Company’s common stock on the grant date. The New Hire Option shall vest and become exercisable as follows: 1/4 of the shares subject to the New Hire Option shall vest and become exercisable on the first anniversary of the Effective Date and 1/48 of the shares subject to the New Hire Option shall vest and become exercisable on each monthly anniversary thereafter, in each case, subject to Executive’s continued service to the Company through the applicable vesting date. The New Hire Option shall be subject to the terms and conditions of the Company’s 2014 Employment Commencement Incentive Plan and a stock option agreement to be entered into between Executive and the Company. Executive shall be eligible to receive additional grants of equity awards in the Company’s sole discretion.

(d) **Vacation; Benefits.** Executive shall be entitled to accrue vacation in accordance with Company policy, which as of the Effective Date provides for an accrual of 6.66 hours per pay period, constituting an annual rate of four (4) weeks (160 hours), provided, that once Executive’s accrued vacation balance reaches 240 hours, Executive will cease accruing additional vacation until such accrued balance is reduced below 240 hours. Accrued vacation may carry over from one year to the next. Executive shall also be entitled to such other benefits in accordance with Company policy for similarly-situated senior management of the Company.

(e) **Business Expenses.** The Company shall reimburse Executive for all reasonable business expenses incurred in the conduct of Executive’s duties hereunder in accordance with the Company’s expense reimbursement policies.

(f) **Additional Matters.** Additional matters regarding Executive’s employment with the Company shall be as set forth on an appendix attached hereto.
3. Termination.

(a) At-Will Employment. The Company and Executive acknowledge that Executive’s employment is and shall continue to be “at-will,” as defined under applicable law. This means that it is not for any specified period of time and can be terminated by Executive or by the Company at any time, with or without advance notice, and for any or no particular reason or cause. It also means that Executive’s job duties, title and responsibility and reporting level, work schedule, compensation and benefits, as well as the Company’s personnel policies and procedures, may be changed with prospective effect, with or without notice, at any time in the sole discretion of the Company. This “at-will” nature of Executive’s employment shall remain unchanged during Executive’s tenure as an employee and may not be changed, except in an express writing signed by Executive and a duly authorized member of the Board. If Executive’s employment terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement.

(b) Deemed Resignation. Upon termination of Executive’s employment for any reason, Executive shall be deemed to have resigned from all offices and directorships, if any, then held with the Company or any of its affiliates, and, at the Company’s request, Executive shall execute such documents as are necessary or desirable to effectuate such resignations.

4. Obligations upon Termination of Employment.

(a) Executive’s Obligations.

(i) Confidentiality. While Executive is employed by the Company, and thereafter, Executive shall not directly or indirectly disclose or make available to any person, firm, corporation, association or other entity for any reason or purpose whatsoever, any Confidential Information (as defined below). Upon termination of Executive’s employment with the Company, all Confidential Information in Executive’s possession that is in written or other tangible form (together with all copies or duplicates thereof, including computer files) shall be returned to the Company and shall not be retained by Executive or furnished to any third party, in any form except as provided herein; provided, however, that Executive shall not be obligated to treat as confidential, or return to the Company copies of any Confidential Information that (i) was publicly known at the time of disclosure to Executive, (ii) becomes publicly known or available or otherwise other than by any means in violation of this Agreement or any other duty owed to the Company by any person or entity, or (iii) is lawfully disclosed to Executive by a third party. For purposes of this Agreement, the term “Confidential Information” shall mean information disclosed to Executive or known by Executive as a consequence of or through his or her relationship with the Company, about the customers, employees, business methods, public relations methods, organization, procedures or finances, including, without limitation, information of or relating to customer lists, of the Company and its affiliates. In addition, Executive shall continue to be subject to the Confidential Information Agreement.

(ii) Non-Solicitation. In addition to each Executive’s obligations under the Confidential Information Agreement, Executive shall not for a period of one (1) year following Executive’s termination of employment for any reason, either on Executive’s own account or jointly with or as a manager, agent, officer, employee, consultant, partner, joint venturer, owner or stockholder or otherwise on behalf of any other person, firm or corporation, directly or indirectly solicit or attempt to solicit away from the Company any of its officers or employees or offer employment to any person who is an officer or employee of the Company; provided, however, that a general advertisement to which an employee of the Company responds shall in no event be deemed to result in a breach of this Section 4(a). Executive also agrees not to harass or disparage the Company or its employees, clients, directors or agents or divert or attempt to divert any actual or potential business of the Company.

(iii) Survival of Provisions. The provisions of this Section 4(a) shall survive the termination or expiration of the applicable Executive’s employment with the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 4(a) is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

(b) Payments of Accrued Obligations upon Termination of Employment. Upon a termination of Executive’s employment for any reason, Executive (or Executive’s estate or legal representative, as applicable) shall be entitled to receive, within ten (10) days after the date Executive terminates employment with the Company (or such earlier date as may be required by applicable law): (i) any portion of Executive’s annual base salary earned through Executive’s termination date not theretofore paid, (ii) any expenses owed to Executive under Section 2(e) above, (iii) any accrued but unused vacation pay owed to Executive pursuant to Section 2(d) above, and (iv) any amount arising from Executive’s participation in, or benefits under, any employee benefit plans, programs or arrangements under Section 2(d) above, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs or arrangements.
(c) **Severance Payments upon a Covered Termination Other Than During a Change in Control Period**. If Executive experiences a Covered Termination at any time other than during a Change in Control Period, and if Executive executes and fails to revoke during any applicable revocation period a general release of all claims against the Company and its affiliates in a form acceptable to the Company (a “Release of Claims”) within sixty (60) days, or such shorter period of time specified by the Company, following such Covered Termination, then in addition to any accrued obligations payable under Section 4(b) above, the Company shall provide Executive with the following:

(i) **Severance.** Executive shall be entitled to receive an amount equal to nine (9) months (the “Severance Period”) of Executive’s then-existing base salary in effect as of Executive’s termination date, less applicable withholdings, and payable in substantially equal installments in accordance with the Company’s standard payroll procedures with the first such installment to commence on the first regular payroll date following the date of Executive’s Release of Claims becomes effective and irrevocable.

(ii) **Continued Healthcare.** The Company shall notify Executive of any right to continue group health plan coverage sponsored by the Company or an affiliate of the Company immediately prior to Executive’s date of termination pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”). If Executive elects to receive such continued healthcare coverage, the Company shall directly pay, or reimburse Executive for, the premium for Executive and Executive’s covered dependents, less the amount of Executive’s monthly premium contributions for such coverage prior to termination, for the period commencing on the first day of the first full calendar month following the date the Release of Claims becomes effective and irrevocable through the earlier of (i) the last day of the ninth (9th) full calendar month following the date the Release of Claims becomes effective and irrevocable and (ii) the date Executive and Executive’s covered dependents, if any, become eligible for healthcare coverage under another employer’s plan(s). Executive shall notify the Company immediately if Executive becomes covered by a group health plan of a subsequent employer. After the Company ceases to pay premiums pursuant to this Section 4(c)(ii), Executive may, if eligible, elect to continue healthcare coverage at Executive’s expense in accordance the provisions of COBRA.

(d) **Severance Payments upon a Covered Termination During a Change in Control Period.** If Executive experiences a Covered Termination during a Change in Control Period, and if Executive executes and fails to revoke during any applicable revocation period a Release of Claims within sixty (60) days, or such shorter period of time specified by the Company, following such Covered Termination, then in addition to any accrued obligations payable under Section 4(b) above, the Company shall provide Executive with the following:

(i) **Severance.** Executive shall be entitled to receive an amount equal to (i) twelve (12) months of Executive’s then-existing annual base salary in effect as of Executive’s termination date plus (ii) Executive’s target annual bonus award, pro-rated based on the total number of days elapsed in the calendar year as of the termination date, but only if, as of the date of Executive’s termination of employment, the Company and Executive were “on target” to achieve all applicable performance goals for such annual bonus as determined by the Board or a committee of the Board in their sole discretion. Such amount will be subject to applicable withholdings and payable in a single lump sum cash payment on the first regular payroll date following the date the Release of Claims becomes effective and irrevocable.

(ii) **Equity Awards.** Each outstanding equity award, including, without limitation, each stock option and restricted stock award, held by Executive shall automatically become vested and, if applicable, exercisable and any forfeiture restrictions or rights of repurchase thereon shall immediately lapse, in each case, with respect to one hundred percent (100%) of the then-unvested shares subject to such outstanding award effective as of immediately prior to such termination date.

(iii) **Continued Healthcare.** The Company shall notify Executive of any right to continue group health plan coverage sponsored by the Company or an affiliate of the Company immediately prior to Executive’s date of termination pursuant to the provisions of COBRA. If Executive elects to receive such continued healthcare coverage, the Company shall directly pay, or reimburse Executive for, the premium for Executive and Executive’s covered dependents, less the amount of Executive’s monthly premium contributions for such coverage prior to termination, for the period commencing on the first day of the first full calendar month following the date the Release of Claims becomes effective and irrevocable through the earlier of (i) the last day of the twelfth (12th) full calendar month anniversary following the date Release of Claims becomes effective and irrevocable and (ii) the date Executive and Executive’s covered dependents, if any, become eligible for healthcare coverage under another employer’s plan(s). Executive shall notify the Company immediately if Executive becomes covered by a group health plan of a subsequent employer. After the Company ceases to pay premiums pursuant to this Section 4(d)(iii), Executive may, if eligible, elect to continue healthcare coverage at Executive’s expense in accordance the provisions of COBRA.
(e) **No Other Severance.** The provisions of this Section 4 shall supersede in their entirety any severance payment or other arrangement provided by the Company, including, without limitation, the Prior Agreement and any severance plan of the Company.

(f) **No Requirement to Mitigate; Survival.** Executive shall not be required to mitigate the amount of any payment provided for under this Agreement by seeking other employment or in any other manner. Notwithstanding anything to the contrary in this Agreement, the termination of Executive’s employment shall not impair the rights or obligations of any party.

(g) **Certain Reductions.** The Company shall reduce Executive’s severance benefits under this Agreement, in whole or in part, by any other severance benefits, pay in lieu of notice, or other similar benefits payable to Executive by the Company in connection with Executive’s termination, including but not limited to payments or benefits pursuant to (i) any applicable legal requirement, including, without limitation, the Worker Adjustment and Retraining Notification Act, or (ii) any Company policy or practice providing for Executive to remain on the payroll without being in active service for a limited period of time after being given notice of the termination of Executive’s employment. The benefits provided under this Agreement are intended to satisfy, to the greatest extent possible, any and all statutory obligations that may arise out of Executive’s termination of employment. Such reductions shall be applied on a retroactive basis, with severance benefits previously paid being recharacterized as payments pursuant to the Company’s statutory obligation.

5. **Limitation on Payments.** Notwithstanding anything in this Agreement to the contrary, if any payment or distribution Executive would receive pursuant to this Agreement or otherwise (“Payment”) would (a) constitute a “parachute payment” within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the “Code”), and (b) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the “Excise Tax”), then the Company shall cause to be determined, before any amounts of the Payment are paid to Executive, which of the following alternative forms of payment would maximize Executive’s after-tax proceeds: (i) payment in full of the entire amount of the Payment (a “Full Payment”), or (ii) payment of only a part of the Payment so that Executive receives that largest Payment possible without being subject to the Excise Tax (a “Reduced Payment”), whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax (all computed at the highest marginal rate, net of the maximum reduction in federal income taxes which could be obtained from a deduction of such state and local taxes), results in Executive’s receipt, on an after-tax basis, of the greater amount of the Payment, notwithstanding that all or some portion the Payment may be subject to the Excise Tax.

(a) If a Reduced Payment is made pursuant to this Section 5, (i) the Payment shall be paid only to the extent permitted under the Reduced Payment alternative, and Executive shall have no rights to any additional payments and/or benefits constituting the Payment, and (ii) reduction in payments and/or benefits will occur in the following order: (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than stock options; (3) cancellation of accelerated vesting of stock options; and (4) reduction of other benefits payable to Executive. In the event that acceleration of compensation from Executive’s equity awards is to be reduced, such acceleration of vesting shall be canceled in the reverse order of the date of grant.

(b) The independent registered public accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control shall make all determinations required to be made under this Section 5. If the independent registered public accounting firm so engaged by the Company is serving as accountant or auditor for the individual, group or entity effecting the Change in Control, the Company shall appoint a nationally recognized independent registered public accounting firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such independent registered public accounting firm required to be made hereunder.

(c) The independent registered public accounting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Company and Executive within 15 calendar days after the date on which Executive’s right to a Payment is triggered (if requested at that time by the Company or Executive) or such other time as requested by the Company or Executive. If the independent registered public accounting firm determines that no Excise Tax is payable with respect to a Payment, either before or after the application of the Reduced Amount, it shall furnish the Company and Executive with an opinion reasonably acceptable to Executive that no Excise Tax will be imposed with respect to such Payment. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon the Company and Executive.

6. **Successors.**

(a) **Company’s Successors.** Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company’s business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the
same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term “Company” shall include any successor to the Company’s business and/or assets which executes and delivers the assumption agreement described in this Section 6(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive’s Successors. The terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive’s personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

7. Notices. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or one day following mailing via Federal Express or similar overnight courier service. In the case of Executive, mailed notices shall be addressed to Executive at Executive’s home address that the Company has on file for Executive. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of the General Counsel of the Company.

8. Dispute Resolution. To ensure the timely and economical resolution of disputes that arise in connection with this Agreement, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance or interpretation of this Agreement, Executive’s employment, or the termination of Executive’s employment, shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in San Mateo County, California, conducted by Judicial Arbitration and Mediation Services, Inc. (“JAMS”) under the applicable JAMS employment rules. By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding. The arbitrator shall: (i) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (ii) issue a written arbitration decision, to include the arbitrator’s essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. The Company shall pay all JAMS’ arbitration fees in excess of the amount of court fees that would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding the foregoing, Executive and the Company each have the right to resolve any issue or dispute over intellectual property rights by Court action instead of arbitration.


(a) Withholdings and Offsets. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise. If Executive is indebted to the Company at his or her termination date, the Company reserves the right to offset any severance payments under this Agreement by the amount of such indebtedness.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. This Agreement, including any exhibit and appendix attached hereto, and the Confidential Information Agreement represent the entire understanding of the parties hereto with respect to the subject matter hereof and supersede all prior arrangements and understandings regarding same, including, without limitation, any severance plan of the Company’s, the Prior Agreement, and any accelerated vesting provisions of Executive’s equity award agreements. Executive agrees and acknowledges that this Agreement supersedes and replaces in its entirety the Prior Agreement.

(d) Amendment. This Agreement cannot be amended or modified except by a written agreement signed by Executive and the Chief Executive Officer of the Company.

(e) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California.

(f) Severability. The finding by a court of competent jurisdiction of the unenforceability, invalidity or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid or illegal. Such court
shall have the authority to modify or replace the invalid or unenforceable term or provision with a valid and enforceable term or provision which most accurately represents the intention of the parties hereto with respect to the invalid or unenforceable term or provision.

(g) Interpretation; Construction. The headings set forth in this Agreement are for convenience of reference only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing the Company, but Executive has been encouraged to consult with, and has consulted with, Executive’s own independent counsel and tax advisors with respect to the terms of this Agreement. The parties hereto acknowledge that each party hereto and its counsel has reviewed and revised, or had an opportunity to review and revise, this Agreement, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

(h) Representations; Warranties. Executive represents and warrants that Executive is not restricted or prohibited, contractually or otherwise, from entering into and performing each of the terms and covenants contained in this Agreement, and that Executive’s execution and performance of this Agreement will not violate or breach any other agreements between Executive and any other person or entity and that Executive has not engaged in any act or omission that could be reasonably expected to result in or lead to an event constituting “Cause” for purposes of this Agreement.

(i) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

(j) Eligibility. As required by applicable law, this offer and Agreement are subject to satisfactory proof of Executive’s right to work in the United States of America.

10. Section 409A. The intent of the parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date, (“Section 409A”) and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If the Company determines that any provision of this Agreement would cause Executive to incur any additional tax or interest under Section 409A (with specificity as to the reason therefor), the Company and Executive shall take commercially reasonable efforts to reform such provision to try to comply with or be exempt from Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A, provided that any such modifications shall not increase the cost or liability to the Company. To the extent that any provision hereof is modified in order to comply with or be exempt from Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to Executive and the Company of the applicable provision without violating the provisions of Section 409A.

(a) Separation from Service. Notwithstanding any provision to the contrary in this Agreement, no amount deemed deferred compensation subject to Section 409A of the Code shall be payable pursuant to Section 4 unless Executive’s termination of employment constitutes a “separation from service” with the Company within the meaning of Section 409A (“Separation from Service”) and, except as provided under Section 10(b) of this Agreement, any such amount shall not be paid, or in the case of installments, commence payment, until the sixtieth (60th) day following Executive’s Separation from Service. Any installment payments that would have been made to Executive during the sixty (60) day period immediately following Executive’s Separation from Service but for the preceding sentence shall be paid to Executive on the sixtieth (60th) day following Executive’s Separation from Service and the remaining payments shall be made as provided in this Agreement.

(b) Specified Employee. Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed at the time of his or her separation from service to be a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Executive’s benefits shall not be provided to Executive prior to the earlier of (a) the expiration of the six (6)-month period measured from the date of Executive’s Separation from Service or (b) the date of Executive’s death. Upon the first business day following the expiration of the applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Section 10(b) shall be paid in a lump sum to Executive, and any remaining payments due under this Agreement shall be paid as otherwise provided herein.

(c) Expense Reimbursements. To the extent that any reimbursements payable pursuant to this Agreement are subject to the provisions of Section 409A, any such reimbursements payable to Executive pursuant to this Agreement shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred, the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, and Executive’s right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.
Installments. For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive’s right to receive any installment payments under this Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment.

11. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Cause. “Cause” means the occurrence of any of the following events, as determined by the Board or a committee designated by the Board, in its sole discretion: (i) Executive’s commission of any felony or any crime involving fraud, dishonesty, or moral turpitude under the laws of the United States or any state thereof; (ii) Executive’s attempted commission of, or participation in, a fraud or act of dishonesty against the Company; (iii) Executive’s intentional, material violation of any contract or agreement between Executive and the Company or of any statutory duty owed to the Company; (iv) Executive’s unauthorized use or disclosure of the Company’s confidential information or trade secrets; or (v) Executive’s gross misconduct. The determination whether a termination is for “Cause” under the foregoing definition shall be made by the Company in its sole discretion.

(b) Change in Control. “Change in Control” means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events (excluding in any case transactions in which the Company or its successors issues securities to investors primarily for capital raising purposes): (i) the acquisition by a third party of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company’s then-outstanding securities other than by virtue of a merger, consolidation or similar transaction, (ii) a merger, consolidation or similar transaction following which the stockholders of the Company immediately prior thereto do not own at least fifty percent (50%) of the combined outstanding voting power of the surviving entity (or that entity’s parent) in such merger, consolidation or similar transaction; (iii) the dissolution or liquidation of the Company; or (iv) the sale, lease, exclusive license or other disposition of all or substantially all of the assets of the Company. Notwithstanding the foregoing, a “Change in Control” must also constitute a “change in control event” as defined in Treasury Regulation §1.409A-3(i)(5).

(c) Change in Control Period. “Change in Control Period” means the twelve (12) month period of time commencing upon the effective date of a Change in Control.

(d) Covered Termination. “Covered Termination” shall mean the termination of Executive’s employment by the Company other than for Cause or by Executive for Good Reason.

(e) Good Reason. “Good Reason” means Executive’s resignation from all positions he or she then holds with the Company if (i) (A) there is a material diminution in Executive’s duties and responsibilities with the Company; provided, however, that a change in title or reporting relationship will not constitute Good Reason; (B) there is a material reduction of Executive’s base salary; provided, however, that a material reduction in Executive’s base salary pursuant to a salary reduction program affecting all or substantially all of the employees of the Company and that does not adversely affect Executive to a greater extent than other similarly situated employees shall not constitute Good Reason; or (C) Executive is required to relocate Executive’s primary work location to a facility or location that would increase Executive’s one-way commute distance by more than twenty-five (25) miles from Executive’s primary work location as of immediately prior to such change, (ii) Executive provides written notice outlining such conditions, acts or omissions to the Company within thirty (30) days immediately following such material change or reduction, (iii) such material change or reduction is not remedied by the Company within thirty (30) days following the Company’s receipt of such written notice and (iv) Executive’s resignation is effective not later than thirty (30) days after the expiration of such thirty (30) day cure period.

(Signature page follows)
IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

RELYPSA, INC.

By:    /s/ John A. Orwin                        
Title:  President and CEO

EXECUTIVE

/s/ Scott Garland
Name: Scott Garland

Signature Page to Employment Agreement
Exhibit A

Karyopharm Therapeutics Inc.
RELYPSA, INC.
EMPLOYMENT AGREEMENT

This Employment Agreement (the “Agreement”) is made and entered into by and between Stephen D. Harrison, M.A., Ph.D. (“Executive”) and Relypsa, Inc. (the “Company”) (together referred to herein as the “Parties”), effective as of December 15, 2014 (the “Effective Date”). This Agreement supersedes in its entirety that certain employment letter agreement dated as of November 4, 2014, as revised by that certain employment letter agreement dated as of December 1, 2014 (collectively, the “Prior Agreement”) and any agreement to which the Company is a party with respect to Executive’s employment with the Company, except for the Proprietary Information and Inventions Agreement executed by Executive (the “Confidential Information Agreement”).

RECIPIENTS

A. The Company desires to assure itself of the services of Executive by engaging Executive to perform services under the terms hereof.

B. Executive desires to provide services to the Company on the terms herein provided.

C. The Parties desire to execute this Agreement to supersede in its entirety the Prior Agreement and reflect certain changes to Executive’s employment with the Company effective as of the Effective Date.

D. Certain capitalized terms used in this Agreement are defined in Section 11 below.

In consideration of the foregoing, and for other good and valuable consideration, including the respective covenants and agreements set forth below, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. Employment.

   (a) **General.** The Company shall employ Executive as a full-time employee of the Company effective as of the Effective Date for the period and in the position set forth in this Section 1, and upon the other terms and conditions herein provided.

   (b) **Term of Agreement.** This Agreement shall become effective as of the Effective Date and terminate upon the date that all obligations of the parties hereto with respect to this Agreement have been satisfied.

   (c) **Position and Duties.** Executive shall have the title of Senior Vice President and Chief Scientific Officer, and shall report to the Chief Executive Officer of the Company. Executive shall also serve in such other capacity or capacities as the Company may from time to time prescribe. As a Company employee, Executive will be expected to comply with Company policies.

   (d) **Location.** Executive shall perform services for the Company at the Company’s offices located in Redwood City, California or, with the Company’s consent, at any other place at which the Company maintains an office; provided, however, that the Company may from time to time require Executive to travel temporarily to other locations in connection with the Company’s business.

   (e) **Exclusivity.** During the term of this Agreement, Executive shall devote Executive’s entire working time, attention and energies to the business of the Company and shall not (i) accept any other employment or consultancy or (ii) serve on the board of directors or similar body of any other entity; provided that Executive may engage in civic and not-for-profit activities, so long as such activities, in the aggregate, do not conflict with the interests of the Company or materially interfere with the performance of Executive’s duties to the Company. Except with the prior written approval of the Board (which the Board may grant or withhold in its sole and absolute discretion), Executive will not, while employed with the Company, or during any period during which Executive is receiving compensation or any other consideration from the Company, engage, directly or indirectly, in any business activity (whether or not pursued for pecuniary advantage) that is or may be competitive with, or that might place Executive in a competing position to, that of the Company or any of its subsidiaries or affiliates and/or any of its affiliates, subsidiaries, or joint ventures currently existing or which shall be established during Executive’s employment by the Company (collectively, “Affiliates”) either directly or indirectly, in any manner or capacity, as adviser, principal, agent, affiliate, promoter, partner, officer, director, employee, stockholder, owner, co-owner, consultant, or member of any association or otherwise, in any phase of the business of developing, manufacturing and
marketing of products or services which are in the same field of use or which otherwise compete with the products or services or proposed products or services of the Company and/or any of its Affiliates. In addition, during Executive’s employment by the Company, Executive agrees not to acquire, assume or participate in, directly or indirectly, any position, investment or interest known by Executive to be adverse or antagonistic to the Company, its business or prospects, financial or otherwise or in any company, person or entity that is, directly or indirectly, in competition with the business of the Company or any of its Affiliates. Ownership by Executive, as a passive investment, of less than one percent (1%) of the outstanding shares of capital stock of any corporation with one or more classes of its capital stock listed on a national securities exchange or publicly traded on a national securities exchange or in the over-the-counter market shall not constitute breach of this Section 1(e).

2. **Compensation and Related Matters.**

(a) **Base Salary.** Executive’s annual base salary (“Base Salary”) will be $385,000, less payroll deductions and all required withholdings, payable in accordance with the Company’s normal payroll practices. The Board or a committee of the Board shall review Executive’s Base Salary periodically and any adjustments to Executive’s Base Salary, if any, will be made solely at the discretion of the Board or a committee of the Board.

(b) **Bonus.** Executive shall also be eligible for an annual discretionary bonus of 35% of Executive’s then-Base Salary as determined by the Board or a committee of the Board in its sole discretion, based upon the Board’s or a committee of the Board’s evaluation (in its sole discretion) of the achievement of specific individual and/or Company-wide performance goals. The applicable performance goals shall be established by the Board or a committee of the Board, in their sole discretion, and set out in writing on or before the 90th day of each calendar year. The annual discretionary bonus, if any, shall be payable, less authorized deductions and required withholdings, no later than March 15th following the end of the applicable calendar year. The amount of any annual discretionary bonus for which Executive is eligible shall be reviewed by the Board or a committee of the Board from time to time.

(c) **Equity Awards.** Subject to approval by the Board or the Compensation Committee of the Board, Executive shall be granted an option to purchase 75,000 shares of the Company’s common stock (the “New Hire Option”). The New Hire Option shall have a per share exercise price equal to the per share closing trading price of the Company’s common stock on the grant date. The New Hire Option shall vest and become exercisable as follows: 1/4 of the shares subject to the New Hire Option shall vest and become exercisable on the first anniversary of the Effective Date and 1/48 of the shares subject to the New Hire Option shall vest and become exercisable on each monthly anniversary thereafter, in each case, subject to Executive’s continued service to the Company through the applicable vesting date. The New Hire Option shall be subject to the terms and conditions of the Company’s 2014 Employment Commencement Incentive Plan and a stock option agreement to be entered into between Executive and the Company. Executive shall be eligible to receive additional grants of equity awards in the Company’s sole discretion.

(d) **Vacation; Benefits.** Executive shall be entitled to accrue vacation in accordance with Company policy, which as of the Effective Date provides for an accrual of 6.66 hours per pay period, constituting an annual rate of four (4) weeks (160 hours), provided, that once Executive’s accrued vacation balance reaches 240 hours, Executive will cease accruing additional vacation until such accrued balance is reduced below 240 hours. Accrued vacation may carry over from one year to the next. Executive shall also be entitled to such other benefits in accordance with Company policy for similarly-situated senior management of the Company.

(e) **Business Expenses.** The Company shall reimburse Executive for all reasonable business expenses incurred in the conduct of Executive’s duties hereunder in accordance with the Company’s expense reimbursement policies.

(f) **Additional Matters.** Additional matters regarding Executive’s employment with the Company shall be as set forth on an appendix attached hereto.
3. Termination.

   (a) At-Will Employment. The Company and Executive acknowledge that Executive’s employment is and shall continue to be “at-will,” as defined under applicable law. This means that it is not for any specified period of time and can be terminated by Executive or by the Company at any time, with or without advance notice, and for any or no particular reason or cause. It also means that Executive’s job duties, title and responsibilities and reporting level, work schedule, compensation and benefits, as well as the Company’s personnel policies and procedures, may be changed with prospective effect, with or without notice, at any time in the sole discretion of the Company. This “at-will” nature of Executive’s employment shall remain unchanged during Executive’s tenure as an employee and may not be changed, except in an express writing signed by Executive and a duly authorized member of the Board. If Executive’s employment terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement.

   (b) Deemed Resignation. Upon termination of Executive’s employment for any reason, Executive shall be deemed to have resigned from all offices and directorships, if any, then held with the Company or any of its affiliates, and, at the Company’s request, Executive shall execute such documents as are necessary or desirable to effectuate such resignations.

4. Obligations upon Termination of Employment.

   (a) Executive’s Obligations.

      (i) Confidentiality. While Executive is employed by the Company, and thereafter, Executive shall not directly or indirectly disclose or make available to any person, firm, corporation, association or other entity for any reason or purpose whatsoever, any Confidential Information (as defined below). Upon termination of Executive’s employment with the Company, all Confidential Information in Executive’s possession that is in written or other tangible form (together with all copies or duplicates thereof, including computer files) shall be returned to the Company and shall not be retained by Executive or furnished to any third party, in any form except as provided herein; provided, however, that Executive shall not be obligated to treat as confidential, or return to the Company copies of any Confidential Information that (i) was publicly known at the time of disclosure to Executive, (ii) becomes publicly known or available thereafter other than by any means in violation of this Agreement or any other duty owed to the Company by any person or entity, or (iii) is lawfully disclosed to Executive by a third party. For purposes of this Agreement, the term “Confidential Information” shall mean information disclosed to Executive or known by Executive as a consequence of or through his or her relationship with the Company, about the customers, employees, business methods, public relations methods, organization, procedures or finances, including, without limitation, information of or relating to customer lists, of the Company and its affiliates. In addition, Executive shall continue to be subject to the Confidential Information Agreement.

      (ii) Non-Solicitation. In addition to each Executive’s obligations under the Confidential Information Agreement, Executive shall not for a period of one (1) year following Executive’s termination of employment for any reason, either on Executive’s own account or jointly with or as a manager, agent, officer, employee, consultant, partner, joint venturer, owner or stockholder or otherwise on behalf of any other person, firm or corporation, directly or indirectly solicit or attempt to solicit away from the Company any of its officers or employees or offer employment to any person who is an officer or employee of the Company; provided, however, that a general advertisement to which an employee of the Company responds shall in no event be deemed to result in a breach of this Section 4(a). Executive also agrees not to harass or disparage the Company or its employees, clients, directors or agents or divert or attempt to divert any actual or potential business of the Company.

      (iii) Survival of Provisions. The provisions of this Section 4(a) shall survive the termination or expiration of the applicable Executive’s employment with the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 4(a) is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.
(b) **Payments of Accrued Obligations upon Termination of Employment.** Upon a termination of Executive’s employment for any reason, Executive (or Executive’s estate or legal representative, as applicable) shall be entitled to receive, within ten (10) days after the date of such termination or such earlier date as may be required by applicable law: (i) any portion of Executive’s annual base salary earned through Executive’s termination date not theretofore paid, (ii) any expenses owed to Executive under Section 2(e) above, (iii) any accrued but unused vacation pay owed to Executive pursuant to Section 2(d) above, and (iv) any amount arising from Executive’s participation in, or benefits under, any employee benefit plans, programs or arrangements under Section 2(d) above, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs or arrangements.

(c) **Severance Payments upon a Covered Termination Other Than During a Change in Control Period.** If Executive experiences a Covered Termination at any time other than during a Change in Control Period, and if Executive executes and fails to revoke during any applicable revocation period a general release of all claims against the Company and its affiliates in a form acceptable to the Company (a “Release of Claims”) within sixty (60) days, or such shorter period of time specified by the Company, following such Covered Termination, then in addition to any accrued obligations payable under Section 4(b) above, the Company shall provide Executive with the following:

(i) **Severance.** Executive shall be entitled to receive an amount equal to nine (9) months (the “Severance Period”) of Executive’s then-existing base salary in effect as of Executive’s termination date, less applicable withholdings, and payable in substantially equal installments in accordance with the Company’s standard payroll procedures with the first such installment to commence on the first regular payroll date following the date of Executive’s Release of Claims becomes effective and irrevocable and inclusive of any installments that would have been made had the Release of Claims been effective on the date of such Covered Termination.

(ii) **Continued Healthcare.** The Company shall notify Executive of any right to continue group health plan coverage sponsored by the Company or an affiliate of the Company immediately prior to Executive’s date of termination pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”). If Executive elects to receive such continued healthcare coverage, the Company shall directly pay, or reimburse Executive for, the premium for Executive and Executive’s covered dependents, less the amount of Executive’s monthly premium contributions for such coverage prior to termination, for the period commencing on the first day of the first full calendar month following the date the Release of Claims becomes effective and irrevocable through the earlier of (i) the last day of the ninth (9th) full calendar month following the date the Release of Claims becomes effective and irrevocable and (ii) the date Executive and Executive’s covered dependents, if any, become eligible for healthcare coverage under another employer’s plan(s). Executive shall notify the Company immediately if Executive becomes covered by a group health plan of a subsequent employer. After the Company ceases to pay premiums pursuant to this Section 4(c)(ii), Executive may, if eligible, elect to continue healthcare coverage at Executive’s expense in accordance the provisions of COBRA.

(d) **Severance Payments upon a Covered Termination During a Change in Control Period.** If Executive experiences a Covered Termination during a Change in Control Period, and if Executive executes and fails to revoke during any applicable revocation period a Release of Claims within sixty (60) days, or such shorter period of time specified by the Company, following such Covered Termination, then in addition to any accrued obligations payable under Section 4(b) above, the Company shall provide Executive with the following:

(i) **Severance.** Executive shall be entitled to receive an amount equal to (i) twelve (12) months of Executive’s then-existing annual base salary in effect as of Executive’s termination date plus (ii) Executive’s target annual bonus award, pro-rated based on the total number of days elapsed in the calendar year as of the termination date, but only if, as of the date of Executive’s termination of employment, the Company and Executive were “on target” to achieve all applicable performance goals for such annual bonus as determined by the Board or a committee of the Board in their sole discretion. Such amount will be subject to applicable withholdings and payable in a single lump sum cash payment on the first regular payroll date following the date the Release of Claims becomes effective and irrevocable.

(ii) **Equity Awards.** Each outstanding equity award, including, without limitation, each stock option and restricted stock award, held by Executive shall automatically become vested and, if applicable, exercisable and any forfeiture restrictions or rights of repurchase thereon shall immediately lapse, in each case, with respect to one hundred percent (100%) of the then-unvested shares subject to such outstanding award effective as of immediately prior to such termination date.
(iii) Continued Healthcare. The Company shall notify Executive of any right to continue group health plan coverage sponsored by the Company or an affiliate of the Company immediately prior to Executive’s date of termination pursuant to the provisions of COBRA. If Executive elects to receive such continued healthcare coverage, the Company shall directly pay, or reimburse Executive for, the premium for Executive and Executive’s covered dependents, less the amount of Executive’s monthly premium contributions for such coverage prior to termination, for the period commencing on the first day of the first full calendar month following the date the Release of Claims becomes effective and irrevocable through the earlier of (i) the last day of the twelfth (12th) full calendar month anniversary following the date Release of Claims becomes effective and irrevocable and (ii) the date Executive and Executive’s covered dependents, if any, become eligible for healthcare coverage under another employer’s plan(s). Executive shall notify the Company immediately if Executive becomes covered by a group health plan of a subsequent employer. After the Company ceases to pay premiums pursuant to this Section 4(d)(iii), Executive may, if eligible, elect to continue healthcare coverage at Executive’s expense in accordance with the provisions of COBRA.

(e) No Other Severance. The provisions of this Section 4 shall supersede in their entirety any severance payment or other arrangement provided by the Company, including, without limitation, the Prior Agreement and any severance plan of the Company.

(f) No Requirement to Mitigate; Survival. Executive shall not be required to mitigate the amount of any payment provided for under this Agreement by seeking other employment or in any other manner. Notwithstanding anything to the contrary in this Agreement, the termination of Executive’s employment shall not impair the rights or obligations of any party.

(g) Certain Reductions. The Company shall reduce Executive’s severance benefits under this Agreement, in whole or in part, by any other severance benefits, pay in lieu of notice, or other similar benefits payable to Executive by the Company in connection with Executive’s termination, including but not limited to payments or benefits pursuant to (i) any applicable legal requirement, including, without limitation, the Worker Adjustment and Retraining Notification Act, or (ii) any Company policy or practice providing for Executive to remain on the payroll without being in active service for a limited period of time after being given notice of the termination of Executive’s employment. The benefits provided under this Agreement are intended to satisfy, to the greatest extent possible, any and all statutory obligations that may arise out of Executive’s termination of employment. Such reductions shall be applied on a retroactive basis, with severance benefits previously paid being recharacterized as payments pursuant to the Company’s statutory obligation.

5. Limitation on Payments. Notwithstanding anything in this Agreement to the contrary, if any payment or distribution Executive would receive pursuant to this Agreement or otherwise (“Payment”) would (a) constitute a “parachute payment” within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the “Code”), and (b) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the “Excise Tax”), then the Company shall cause to be determined, before any amounts of the Payment are paid to Executive, which of the following alternative forms of payment would maximize Executive’s after-tax proceeds: (i) payment in full of the entire amount of the Payment (a “Full Payment”), or (ii) payment of only a part of the Payment so that Executive receives that largest Payment possible without being subject to the Excise Tax (a “Reduced Payment”), whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax (all computed at the highest marginal rate, net of the maximum reduction in federal income taxes which could be obtained from a deduction of such state and local taxes), results in Executive’s receipt, on an after-tax basis, of the greater amount of the Payment, notwithstanding that all or some portion the Payment may be subject to the Excise Tax.

(a) If a Reduced Payment is made pursuant to this Section 5, (i) the Payment shall be paid only to the extent permitted under the Reduced Payment alternative, and Executive shall have no rights to any additional payments and/or benefits constituting the Payment, and (ii) reduction in payments and/or benefits will occur in the following order: (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than stock options; (3) cancellation of accelerated vesting of stock options; and (4) reduction of other benefits payable to Executive. In the event that acceleration of compensation from Executive’s equity awards is to be reduced, such acceleration of vesting shall be canceled in the reverse order of the date of grant.

(b) The independent registered public accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control shall make all determinations required to be made under this Section 5. If the independent registered public accounting firm so engaged by the Company is serving as accountant or auditor for the individual, group or entity effecting the Change in Control, the Company shall appoint a nationally recognized independent registered public accounting firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such independent registered public accounting firm required to be made hereunder.
successors.

(a) **Company’s Successors.** Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company’s business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term “Company” shall include any successor to the Company’s business and/or assets which executes and delivers the assumption agreement described in this Section 6(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) **Executive’s Successors.** The terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive’s personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

7. **Notices.** Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or one day following mailing via Federal Express or similar overnight courier service. In the case of Executive, mailed notices shall be addressed to Executive at Executive’s home address that the Company has on file for Executive. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of the General Counsel of the Company.

8. **Dispute Resolution.** To ensure the timely and economical resolution of disputes that arise in connection with this Agreement, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance or interpretation of this Agreement, Executive’s employment, or the termination of Executive’s employment, shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in San Mateo County, California, conducted by Judicial Arbitration and Mediation Services, Inc. (“JAMS”) under the applicable JAMS employment rules. **By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.** The arbitrator shall: (i) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (ii) issue a written arbitration decision, to include the arbitrator’s essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. The Company shall pay all JAMS’ arbitration fees in excess of the amount of court fees that would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding the foregoing, Executive and the Company each have the right to resolve any issue or dispute over intellectual property rights by Court action instead of arbitration.

9. **Miscellaneous Provisions.**

(a) **Withholdings and Offsets.** The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise. If Executive is indebted to the Company at his or her termination date, the Company reserves the right to offset any severance payments under this Agreement by the amount of such indebtedness.

(b) **Waiver.** No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.
(c) **Whole Agreement.** This Agreement, including any appendix attached hereto, and the Confidential Information Agreement represent the entire understanding of the parties hereto with respect to the subject matter hereof and supersede all prior arrangements and understandings regarding same, including, without limitation, any severance plan of the Company’s, the Prior Agreement, and any accelerated vesting provisions of Executive’s equity award agreements. Executive agrees and acknowledges that this Agreement supersedes and replaces in its entirety the Prior Agreement.

(d) **Amendment.** This Agreement cannot be amended or modified except by a written agreement signed by Executive and the Chief Executive Officer of the Company.

(e) **Choice of Law.** The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California.

(f) **Severability.** The finding by a court of competent jurisdiction of the unenforceability, invalidity or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid or illegal. Such court shall have the authority to modify or replace the invalid or unenforceable term or provision with a valid and enforceable term or provision which most accurately represents the intention of the parties hereto with respect to the invalid or unenforceable term or provision.

(g) **Interpretation; Construction.** The headings set forth in this Agreement are for convenience of reference only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing the Company, but Executive has been encouraged to consult with, and has consulted with, Executive’s own independent counsel and tax advisors with respect to the terms of this Agreement. The parties hereto acknowledge that each party hereto and its counsel has reviewed and revised, or had an opportunity to review and revise, this Agreement, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

(h) **Representations; Warranties.** Executive represents and warrants that Executive is not restricted or prohibited, contractually or otherwise, from entering into and performing each of the terms and covenants contained in this Agreement, and that Executive’s execution and performance of this Agreement will not violate or breach any other agreements between Executive and any other person or entity and that Executive has not engaged in any act or omission that could be reasonably expected to result in or lead to an event constituting “Cause” for purposes of this Agreement.

(i) **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

(j) **Eligibility.** As required by applicable law, this offer and Agreement are subject to satisfactory proof of Executive’s right to work in the United States of America.

10. **Section 409A.** The intent of the parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date, (“Section 409A”) and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If the Company determines that any provision of this Agreement would cause Executive to incur any additional tax or interest under Section 409A (with specificity as to the reason therefor), the Company and Executive shall take commercially reasonable efforts to reform such provision to try to comply with or be exempt from Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A, provided that any such modifications shall not increase the cost or liability to the Company. To the extent that any provision hereof is modified in order to comply with or be exempt from Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to Executive and the Company of the applicable provision without violating the provisions of Section 409A.

(a) **Separation from Service.** Notwithstanding any provision to the contrary in this Agreement, no amount deemed deferred compensation subject to Section 409A of the Code shall be payable pursuant to Section 4 unless Executive’s termination of employment constitutes a “separation from service” with the Company within the meaning of Section 409A (“Separation from Service”) and, except as provided under Section 10(b) of this Agreement, any such amount shall not be paid, or in the case of installments, commence payment, until the sixtieth (60th) day following Executive’s Separation from Service. Any installment payments that would have been made to Executive during the sixty (60) day period immediately following Executive’s Separation...
from Service but for the preceding sentence shall be paid to Executive on the sixtieth (60th) day following Executive’s Separation from Service and the remaining payments shall be made as provided in this Agreement.

(b) Specified Employee. Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed at the time of his or her separation from Service to be a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Executive’s benefits shall not be provided to Executive prior to the earlier of (a) the expiration of the six (6)-month period measured from the date of Executive’s Separation from Service or (b) the date of Executive’s death. Upon the first business day following the expiration of the applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Section 10(b) shall be paid in a lump sum to Executive, and any remaining payments due under this Agreement shall be paid as otherwise provided herein.

(c) Expense Reimbursements. To the extent that any reimbursements payable pursuant to this Agreement are subject to the provisions of Section 409A, any such reimbursements payable to Executive pursuant to this Agreement shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred, the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, and Executive’s right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

(d) Installments. For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive’s right to receive any installment payments under this Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment.

11. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Cause. “Cause” means the occurrence of any of the following events, as determined by the Board or a committee designated by the Board, in its sole discretion: (i) Executive’s commission of any felony or any crime involving fraud, dishonesty, or moral turpitude under the laws of the United States or any state thereof; (ii) Executive’s attempted commission of, or participation in, a fraud or act of dishonesty against the Company; (iii) Executive’s intentional, material violation of any contract or agreement between Executive and the Company or of any statutory duty owed to the Company; (iv) Executive’s unauthorized use or disclosure of the Company’s confidential information or trade secrets; or (v) Executive’s gross misconduct. The determination whether a termination is for “Cause” under the foregoing definition shall be made by the Company in its sole discretion.

(b) Change in Control. “Change in Control” means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events (excluding in any case transactions in which the Company or its successors issues securities to investors primarily for capital raising purposes): (i) the acquisition by a third party of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company’s then-outstanding securities other than by virtue of a merger, consolidation or similar transaction, (ii) a merger, consolidation or similar transaction following which the stockholders of the Company immediately prior thereto do not own at least fifty percent (50%) of the combined outstanding voting power of the surviving entity (or that entity’s parent) in such merger, consolidation or similar transaction; (iii) the dissolution or liquidation of the Company; or (iv) the sale, lease, exclusive license or other disposition of all or substantially all of the assets of the Company. Notwithstanding the foregoing, a “Change in Control” must also constitute a “change in control event” as defined in Treasury Regulation §1.409A-3(i)(5).

(c) Change in Control Period. “Change in Control Period” means the twelve (12) month period of time commencing upon the effective date of a Change in Control.

(d) Covered Termination. “Covered Termination” shall mean the termination of Executive’s employment by the Company other than for Cause or by Executive for Good Reason.

(e) Good Reason. “Good Reason” means Executive’s resignation from all positions he or she then holds with the Company if (i) (A) there is a material diminution in Executive’s duties and responsibilities with the Company; provided, however, that a change in title or reporting relationship will not constitute Good Reason; (B) there is a material reduction of Executive’s base salary; provided, however, that a material reduction in Executive’s base salary pursuant to a salary reduction program affecting all or substantially all of the employees of the Company and that does not adversely affect Executive to a greater extent than other similarly situated employees shall not constitute Good Reason; or (C) Executive is required to relocate Executive’s primary work location to a
facility or location that would increase Executive’s one-way commute distance by more than twenty-five (25) miles from Executive’s primary work location as of immediately prior to such change, (ii) Executive provides written notice outlining such conditions, acts or omissions to the Company within thirty (30) days immediately following such material change or reduction, (iii) such material change or reduction is not remedied by the Company within thirty (30) days following the Company’s receipt of such written notice and (iv) Executive’s resignation is effective not later than thirty (30) days after the expiration of such thirty (30) day cure period.

(Signature page follows)
IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the Effective Date.

RELYPSA, INC.

By: /s/ John A. Orwin
Title: President and CEO

EXECUTIVE

/s/ Stephen D. Harrison
Name: Stephen D. Harrison

Signature Page to Employment Agreement
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in (1) the Registration Statement on Form S-8 (no. 333-192441) pertaining to the Amended and Restated 2007 Equity Incentive Plan, as amended, 2013 Equity Incentive Award Plan and Employee Stock Purchase Plan of Relypsa, Inc. and (2) the Registration Statement on Form S-3 (no. 333-200732), of our report dated March 11, 2015, with respect to the consolidated financial statements of Relypsa, Inc. included in this Annual Report on Form 10-K for the year ended December 31, 2014.

/s/ Ernst & Young LLP

Redwood City, California

March 11, 2015
CERTIFICATION

I, John A. Orwin, certify that:

1. I have reviewed this Annual Report on Form 10-K of Relypsa, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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.
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 11, 2015

/s/ JOHN A. ORWIN
President, Chief Executive Officer and Director
(Principal Executive Officer)
CERTIFICATION

I, Kristine M. Ball, certify that:

1. I have reviewed this Annual Report on Form 10-K of Relypsa, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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.
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 11, 2015

/s/ KRISTINE M. BALL
Chief Financial Officer
(Principal Financial and Accounting Officer)
CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act 2002, John A. Orwin, President, Chief Executive Officer and Director, and Kristine M. Ball, Chief Financial Officer, of Relypsa, Inc. (the “Company”) each hereby certifies that to the best of his or her knowledge:

1. The Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014, to which this Certification is attached as Exhibit 32.1 (the “Annual Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 11, 2015

/s/ JOHN A. ORWIN
President, Chief Executive Officer and Director
(Principal Executive Officer)

/s/ KRISTINE M. BALL
Chief Financial Officer
(Principal Financial and Accounting Officer)