RETROPHIN, INC.

FORM 10-Q
(Quarterly Report)

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Address	12255 EL CAMINO REAL SUITE 250 SAN DIEGO, CA 92130
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2016

OR

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

For the transition period from _____ to _____

RETROPHIN, INC.

(Exact name of registrant as specified in its charter)

Delaware	001-36257	27-4842691
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(I.R.S. Employer Identification No.)

12255 El Camino Real, Suite 250,

San Diego, CA 92130

(Address of Principal Executive Offices)

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(760) 260-8600

(Registrant's Telephone number including area code)

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 a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐

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

The number of shares of outstanding common stock, par value $0.0001 per share, of the Registrant as of August 4, 2016 was 36,731,132 .

RETROPHIN, INC.

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June 30, 2016

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FORWARD LOOKING STATEMENTS

This report contains forward-looking statements regarding our business, financial condition, results of operations and prospects. Words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates” and similar expressions or variations of such words are intended to identify forward-looking statements, but are not deemed to represent an all-inclusive means of identifying forward-looking statements as denoted in this report. Additionally, statements concerning future matters are forward-looking statements.

Although forward-looking statements in this report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the headings “Risks Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our annual report on Form 10-K for the fiscal year ended December 31, 2015 , in our quarterly report in Form 10-Q for the three months ended March 31, 2016 and in this Form 10-Q and information contained in other reports that we file with the Securities and Exchange Commission (the “SEC”). You are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this report.

We file reports with the SEC. The SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us. You can also read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this report, except as required by law. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this quarterly report, which are designed to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

RETROPHIN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	June 30, 2016	December 31, 2015
Assets	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 21,155	$ 37,805
Marketable securities	200,359	191,799
Accounts receivable, net	16,566	12,458
Inventory, net	2,713	2,536
Prepaid expenses and other current assets	3,365	2,378
Prepaid taxes	8,499	8,107
Note receivable, current	47,500	46,849
Total current assets	300,157	301,932
Property and equipment, net	381	428
Other asset	1,859	1,859
Intangible assets, net	184,432	161,536
Goodwill	936	936
Note receivable, long term	46,206	45,573
Total assets	$ 533,971	$ 512,264
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 6,285	$ 7,639
Accrued expenses	23,159	23,820
Guaranteed minimum royalty	2,000	2,000
Other current liabilities	1,187	958
Business combination-related contingent consideration	14,077	13,754
Derivative financial instruments, warrants	33,360	38,810
Total current liabilities	80,068	86,981
Convertible debt	44,092	43,766
Other non-current liabilities	2,548	3,066
Guaranteed minimum royalty, less current portion	8,488	8,885
Business combination-related contingent consideration, less current portion	72,300	45,267
Deferred income tax liability, net	12,103	24,328
Total liabilities	219,599	212,293
Stockholders' Equity:		
Preferred stock $0.001 par value; 20,000,000 shares authorized; 0 issued and outstanding as of June 30, 2016 and December 31, 2015	—	—
Common stock $0.0001 par value; 100,000,000 shares authorized; 36,725,130 and 36,465,853 issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	4	4
Additional paid-in capital	381,687	365,802
Accumulated deficit	(67,340)	(65,153)
Accumulated other comprehensive income (loss)	21	(682)
Total stockholders' equity	314,372	299,971
Total liabilities and stockholders' equity	$ 533,971	$ 512,264

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

RETROPHIN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net product sales	$ 33,311	$ 24,068	$ 62,319	$ 41,440
Operating expenses:				
Cost of goods sold	1,021	637	1,778	912
Research and development	17,675	10,563	32,347	20,910
Selling, general and administrative	23,205	19,692	42,330	34,547
Change in valuation of contingent consideration	2,789	120	5,485	120
Total operating expenses	44,690	31,012	81,940	56,489
Operating loss	(11,379)	(6,944)	(19,621)	(15,049)
Other income (expenses), net:				
Other income (expenses), net	(206)	522	4	349
Interest expense, net	(147)	(2,922)	(309)	(6,720)
Finance expense	—	—	—	(600)
Change in fair value of derivative instruments	(9,063)	(29,418)	5,277	(66,171)
Loss on extinguishment of debt	—	(2,250)	—	(2,250)
Litigation settlement gain	—	15,500	—	15,500
Bargain purchase gain	—	—	—	49,063
Total other income (loss), net	(9,416)	(18,568)	4,972	(10,829)
Loss before provision for income taxes	(20,795)	(25,512)	(14,649)	(25,878)
Income tax benefit (expense)	7,392	(15)	12,462	40,006
Net income (loss)	$ (13,403)	$ (25,527)	$ (2,187)	$ 14,128
Net earnings (loss) per common share, basic	$ (0.37)	$ (0.73)	$ (0.06)	$ 0.45
Net earnings (loss) per common share, diluted	$ (0.37)	$ (0.73)	$ (0.20)	$ 0.44
Weighted average common shares outstanding, basic	36,683,429	34,957,134	36,601,807	31,079,053
Weighted average common shares outstanding, diluted	36,683,429	34,957,134	38,063,285	34,827,405
Comprehensive income (loss):				
Net income (loss)	$ (13,403)	$ (25,527)	$ (2,187)	$ 14,128
Foreign currency translation	71	(30)	2	(7)
Unrealized loss on marketable securities	(157)	(298)	(706)	(3,519)
Comprehensive income (loss)	$ (13,489)	$ (25,855)	$ (2,891)	$ 10,602

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

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RETROPHIN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited, in thousands)

	For the Six Months Ended June 30,	
	2016	**2015**
Cash Flows From Operating Activities:		
Net income (loss)	$ (2,187)	$ 14,128
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	7,858	5,536
Realized gain on marketable securities	—	(107)
Gain upon divestiture of assets to Turing Pharmaceuticals	—	(914)
Deferred income tax benefit	(12,286)	(40,021)
Interest income from notes receivable	(1,285)	—
Non-cash interest expense	1,179	1,154
Amortization of premiums on marketable securities	666	—
Amortization of debt discount and deferred financing costs	326	1,010
Lease liability	—	(125)
Legal accrual reversal	(2,967)	—
Bargain purchase gain	—	(49,063)
Share based compensation	14,286	10,567
Derivative financial instruments, warrants, issued, recorded in interest expense	—	1,050
Change in estimated fair value of liability classified warrants	(5,277)	66,171
Change in estimated fair value of contingent consideration	5,485	113
Payments related to change in fair value of contingent consideration	(550)	(90)
Changes in operating assets and liabilities, net of business acquisitions:		
Accounts receivable	(4,104)	(3,508)
Inventory	(174)	(640)
Prepaid expenses and other current assets	(1,197)	(420)
Accounts payable and accrued expenses	650	(3,417)
Net cash provided by operating activities	423	1,424
Cash Flows From Investing Activities:		
Purchase of fixed assets	(24)	(29)
Cash paid for intangible assets	(4,881)	(2,497)
Proceeds from the sale/maturity of marketable securities	59,874	282
Purchase of marketable securities	(68,517)	—
Cash received upon divestiture of asset	—	3,311
Cash paid upon acquisition, net of cash acquired	(500)	(33,430)
Net cash used in investing activities	(14,048)	(32,363)
Cash Flows From Financing Activities:		
Payment of acquisition-related contingent consideration-Manchester	(2,125)	(1,228)
Payment of acquisition-related contingent consideration-Asklepion	(644)	—
Payment of guaranteed minimum royalty	(1,000)	(1,000)
Proceeds from exercise of warrants	90	586
Payment of other liability	(500)	(500)
Proceeds from exercise of stock options	1,572	2,669
Excess benefit related to stock compensation	(236)	—
Proceeds received from issuance of common stock	—	149,454
Financing costs from issuance of common stock	—	(9,500)
Net cash used in (provided by) financing activities	(2,843)	140,481
Effect of exchange rate changes on cash	(182)	—
Net change in cash	(16,650)	109,542
Cash, beginning of year	37,805	18,204

Cash, end of period	$ 21,155	$ 127,746

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

RETROPHIN, INC. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATMENTS

NOTE 1. DESCRIPTION OF BUSINESS

Organization and Description of Business

In this Quarterly Report on Form 10-Q, unless the context requires otherwise, the terms “we”, “our”, “us”, “Retrophin” and the “Company” refer to Retrophin, Inc., a Delaware corporation, as well as our direct and indirect subsidiaries. We are a fully integrated biopharmaceutical company with approximately 130 employees headquartered in San Diego, California dedicated to delivering life-changing therapies to people living with rare diseases who have few, if any, treatment options. Our approach centers on our pipeline, featuring clinical-stage assets and pre-clinical discovery programs targeting rare diseases with significant unmet medical needs. Our research and development efforts are supported by revenues from the Company's marketed products, Chenodal ® , Cholbam ® and Thiola ® . In addition we regularly evaluate and, where appropriate, act on opportunities to expand our product pipeline through licenses and acquisitions of products in areas that will serve patients with serious, catastrophic or rare diseases and that we believe offer attractive growth characteristics.

Products on the Market:

- Chenodal ® (chenodeoxycholic acid) is approved in the United States for the treatment of patients suffering from gallstones in whom surgery poses an unacceptable health risk due to disease or advanced age. Chenodal has also been the standard of care for cerebrotendinous xanthomatosis (“CTX”) patients for more than three decades and the Company is currently pursuing adding this indication to the label.
- Cholbam ® (cholic acid) is approved in the United States for the treatment of bile acid synthesis disorders due to single enzyme defects and is further indicated for adjunctive treatment of patients with peroxisomal disorders.
- Thiola ® (tiopronin) is approved in the United States for the prevention of cysteine (kidney) stone formation in patients with cystinuria.

Product Candidates:

Sparsentan , also known as RE-021, is an investigational therapeutic agent which acts as both a potent angiotensin receptor blocker (“ARB”), as well as a selective endothelin receptor antagonist (“ERA”), with in vitro selectivity toward endothelin receptor type A . We have secured a license to sparsentan from Ligand Pharmaceuticals, Inc. and Bristol-Myers Squibb Company (who referred to it as DARA). We are developing sparsentan as a treatment for focal segmental glomerulosclerosis ("FSGS") , which is a leading cause of end-stage renal disease and Nephrotic Syndrome (“NS”). There are no U.S. Food and Drug Administration ("FDA") approved pharmacological treatments for FSGS and the off-label armamentarium is limited to ACE/ARBs, steroids, and immunosuppressant agents, which are effective in only a subset of patients. We estimate that there are at least 40,000 FSGS patients in the United States. We have completed enrollment for our DUET Phase 2 clinical study of sparsentan for the treatment of FSGS and we anticipate having a top line data read out in the third quarter of 2016. Depending on the robustness of the data obtained in the DUET study, we may be able to support an application for accelerated approval for sparsentan on the basis of proteinuria as a surrogate endpoint. Sparsentan was granted orphan drug designation in the U.S. and EU in January and November 2015, respectively.

We are developing RE-024, a novel small molecule, as a potential treatment for pantothenate kinase-associated neurodegeneration (" PKAN"). PKAN is a genetic neurodegenerative disorder that is typically diagnosed in the first decade of life. Consequences of PKAN include dystonia, dysarthria, rigidity, retinal degeneration, and severe digestive problems. PKAN is estimated to affect 1 to 3 persons per million. There are currently no viable treatment options for patients with PKAN. RE-024 is a phosphopantothenate prodrug therapy that aims to restore levels of this key substrate in PKAN patients. Certain international health regulators have approved the initiation of dosing RE-024 in PKAN patients under physician-initiated studies in accordance with local regulations in their respective countries. The Company filed a Investigational New Drug application ("U.S. IND") for RE-024 with the FDA in the first quarter of 2015 to support the commencement of a Company-sponsored Phase 1 study, which was successfully completed during 2015. RE-024 was granted orphan drug designation by the FDA in May 2015 and was granted fast track designation by the FDA in June 2015. On February 24, 2016, we announced RE-024 was granted orphan drug designation from the European Commission. The Company continues discussions with the FDA and the European Medicines Agency ("EMA") regarding the initiation of a potential registration-enabling efficacy trial in PKAN patients.

L-UDCA is a liquid formulation of ursodeoxycholic acid being developed for the treatment of a rare liver disease called primary biliary cholangitis (PBC). Retrophin expects to file a New Drug Application with the FDA in 2017 and, if approved, plans to make L-UDCA commercially available to the subset of PBC patients who have difficulty swallowing. There are no liquid formulations of ursodeoxycholic acid currently approved by the FDA.

RE-034 is a synthetic hormone analog of the first 24 amino acids of the 39 amino acids contained in adrenocorticotropic hormone ("ACTH") incorporated into a novel formulation developed by the Company. RE-034 exhibits similar physiological actions as endogenous ACTH by binding to all five melanocortin receptors (pan-MCR), resulting in its anti-inflammatory and immunomodulatory effects. Retrophin has successfully manufactured RE-034 at proof-of-concept scale using a novel formulation process that allows modulation of the release of the active ingredient from the site of administration. The Company is exploring strategic options for development of RE-034, including the evaluation of external partnership and out-licensing opportunities.

Preclinical:

NGLY1

The Company entered into a research collaboration with the Grace Science Foundation and the Warren Family Research Center for Drug Discovery and Development at the University of Notre Dame for the development of a novel therapeutic for patients with NGLY1 deficiency, a rare genetic disorder. NGLY1 deficiency is believed to be caused by a deficiency in an enzyme called N-glycanase-1, which is encoded by the gene NGLY1. The condition is characterized by a variety of symptoms, including global developmental delay, movement disorder, seizures, and ocular abnormalities. Under this collaboration, the Grace Science Foundation will provide support and funding to Retrophin to enable discovery efforts that aim to validate and address a new molecular target that may be relevant to NGLY1 deficiency. The Warren Family Research Center for Drug Discovery and Development at the University of Notre Dame will provide funding and in-kind research support to help Retrophin advance this program.

NOTE 2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 (the "2015 10-K") filed with the Securities and Exchange Commission (the "SEC") on February 26, 2016, and amended on March 2, 2016. The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information, the instructions for Form 10-Q and the rules and regulations of the SEC. Accordingly, since they are interim statements, the accompanying condensed consolidated financial statements do not include all of the information and notes required by GAAP for annual financial statements, but reflect all adjustments consisting of normal, recurring adjustments, that are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. Interim results are not necessarily indicative of the results that may be expected for any future periods. The December 31, 2015 balance sheet information was derived from the audited financial statements as of that date. Certain reclassifications have been made to the prior period consolidated financial statements to conform to the current period presentation.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying condensed consolidated financial statements follows:

Principles of Consolidation

The unaudited condensed consolidated financial statements represent the consolidation of the accounts of the Company and its subsidiaries in conformity with GAAP. All intercompany accounts and transactions have been eliminated in consolidation.

Adoption of New Accounting Standards

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, Simplifying the Presentation of Debt Issuance Costs. This ASU amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of as a deferred charge. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2015. The Company adopted the new guidance effective March 31, 2016. The adoption of the new guidance did not have a material impact on the Company's financial statements. See Note 10 for further discussion.

In November 2015, the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes, to simplify the presentation of deferred taxes. This ASU requires that all deferred tax assets and liabilities, along with any related valuation allowances, be classified as noncurrent on the balance sheet. However, an entity shall not offset deferred tax liabilities and assets attributable to different tax jurisdictions. This ASU is effective for annual and interim reporting periods ending after December 15, 2016. Early adoption is permitted, and the new guidance may be applied either prospectively or retrospectively. We adopted this guidance prospectively as of December 31, 2015. Therefore, prior periods have not been adjusted to reflect this adoption. This change in accounting principle does not change our results of operations, cash flows or stockholders' equity.

Recently Issued Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its consolidated financial position or results of operations upon adoption.

In May 2014, the FASB issued ASU No. 2014-9, Revenue from Contracts with Customers. Under the new standard, revenue is recognized at the time a good or service is transferred to a customer for the amount of consideration for which the entity expects to be entitled for that specific good or service. Entities may use a full retrospective approach or report the cumulative effect as of the date of adoption. On July 9, 2015, the FASB voted to defer the effective date by one year to December 15, 2017 for interim and annual reporting periods beginning after that date. Early adoption of this ASU is permitted but not before the original effective date (annual periods beginning after December 15, 2016). We are currently evaluating the impact, if any, the adoption of this standard will have on our consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory. This standard amends Topic 330, *Inventory* , which currently requires an entity to measure inventory at the lower of cost or market. Market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. When this standard is adopted, an entity should measure in scope inventory

at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The ASU is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. We are currently evaluating the impact, if any, the adoption of this standard will have on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. We are currently evaluating the impact, if any, the adoption of this standard will have on our consolidated financial statements.

In April 2016, the FASB issued ASU No. 2016-09, Compensation —Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. Specifically, the ASU requires all excess tax benefits and tax deficiencies (including tax benefits of dividends on share-based payment awards) to be recognized as income tax expense or benefit in the income statement. The tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. An entity also should recognize excess tax benefits, and assess the need for a valuation allowance, regardless of whether the benefit reduces taxes payable in the current period. That is, off balance sheet accounting for net operating losses stemming from excess tax benefits would no longer be required and instead such net operating losses would be recognized when they arise. Existing net operating losses that are currently tracked off balance sheet would be recognized, net of a valuation allowance if required, through an adjustment to opening retained earnings in the period of adoption. Entities will no longer need to maintain and track an “APIC pool.” The ASU also requires excess tax benefits to be classified along with other income tax cash flows as an operating activity in the statement of cash flows. In addition, the ASU elevates the statutory tax withholding threshold to qualify for equity classification up to the maximum statutory tax rates in the applicable jurisdiction(s). The ASU also clarifies that cash paid by an employer when directly withholding shares for tax withholding purposes should be classified as a financing activity. The ASU provides an optional accounting policy election (with limited exceptions), to be applied on an entity-wide basis, to either estimate the number of awards that are expected to vest (consistent with GAAP) or account for forfeitures when they occur. The ASU is effective for public business entities for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Certain detailed transition provisions apply if an entity elects to early adopt. We are currently evaluating the impact, if any, the adoption of this standard will have on our consolidated financial statements.

In June 2016, the FASB issued No. 2016-13, Financial Instruments —Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. Topic 326 amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect it's current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP, however Topic 326 will require that credit losses be presented as an allowance rather than as a write-down. This Accounting Standards Update affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. This update is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company currently holds available for sale debt securities that are effected by this ASU and is currently evaluating the impact the adoption of this standard will have on our consolidated financial statements.

NOTE 4. INCOME TAXES

The Company’s income tax benefit for the three months ended June 30, 2016 and 2015 of $7.4 million and $0 , respectively, reflect effective tax rates of 35.6% and 0% , respectively, and income tax benefit of $12.5 million and $40.0 million , respectively, reflect effective tax rates of 85.1% and 154.6% for the six months ended June 30, 2016 and 2015, respectively, inclusive of discrete income and loss items recorded in the quarterly financial statements. Under GAAP, quarterly effective tax rates may vary significantly depending on the actual operating results in the various tax jurisdictions and significant transactions, as well as changes in the valuation allowance related to the expected recovery of deferred tax assets.

For the six months ended June 30, 2016 , when compared to the same period in 2015, the decrease in the tax benefit and effective income tax rate was primarily attributable to the release of a U.S. federal valuation allowance in 2015. At June 30, 2016 , we had gross unrecognized tax benefits of $6.7 million compared to $3.3 million at December 31, 2015, representing a net increase of $3.4 million during the six months ended June 30, 2016 . If recognized, $5.2 million of unrecognized tax benefits would affect the Company’s effective tax rate. We did not recognize any interest and penalties related to unrecognized tax benefits during the three month ended June 30, 2016.

We are currently not under income tax audit examination in any material jurisdictions in which we operate.

NOTE 5. BUSINESS COMBINATION

Acquisition of Liquid Ursodeoxycholic Acid (L-UDCA)

On June 20, 2016, the Company announced the signing of a definitive agreement to purchase the rights, titles, and ownership of L-UDCA from Asklepion. Retrophin intends to file a New Drug Application with the FDA for L-UDCA for the treatment of PBC in 2017.

The acquisition was accounted for under the purchase method of accounting in accordance with Accounting Standard Codification ("ASC") 805. The fair value of assets acquired and liabilities assumed was based upon a valuation and the Company's estimates. Critical estimates in valuing certain intangible assets include but are not limited to future expected cash flows from acquired product rights for L-UDCA, licenses, trade names and developed technologies, present value and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Management's valuation is preliminary. Once the valuation is complete, the Company will make any necessary adjustments.

The purchase included $25.5 million for an intangible asset with a definite life related to product rights for the U.S. The useful life related to the acquired product rights are expected to be approximately 17 years once NDA is approved by the FDA.

The contingent consideration of $25.0 million (present value) recorded during the period ended June 30, 2016, is related to an agreement to pay an additional cash amount in the form of milestones and sales royalties through 2035. The accrued contingent consideration was recorded as a liability at acquisition-date fair value using the income approach with an assumed discount rate of 12.0% over the applicable term.

The purchase price allocation of $25.5 million as of the acquisition completion date of June 16, 2016 is as follows (*in thousands*):

Cash paid upon consummation	$	500
Present value of contingent consideration		25,000
Total purchase price	$	25,500
Fair Value of Assets Acquired and Liabilities Assumed		
Acquired product rights: L-UDCA (intangible asset)	$	25,500
Total purchase price	$	25,500

Unaudited pro forma information for the transaction is not presented, because the effects of such transaction are considered immaterial to the Company.

Acquisition of Cholic Acid

On January 12, 2015, the Company announced the signing of a definitive agreement under which it acquired the exclusive right to purchase from Asklepion, all worldwide rights, titles, and ownership of Cholbam (cholic acid) for the treatment of bile acid synthesis defects, if approved by the FDA. Under the terms of the agreement, Retrophin paid Asklepion an upfront payment of $5.0 million and agreed to pay milestones based on FDA approval and net product sales, plus tiered royalties on future net sales of Cholbam.

On March 18, 2015, the Company announced that the FDA had approved Cholbam capsules, the first FDA approved treatment for pediatric and adult patients with bile acid synthesis disorders due to single enzyme defects, and for patients with peroxisomal disorders (including Zellweger spectrum disorders). As a result of the approval, Retrophin exercised its right to purchase from Asklepion all worldwide rights, titles, and ownership of Cholbam and related assets. The FDA also granted Asklepion a Pediatric Priority Review Voucher ("PRV"), awarded to encourage development of new drugs and biologics for the prevention and treatment of rare pediatric diseases. A Pediatric PRV is transferable and provides the bearer with FDA priority review classification for a new drug application. The Pediatric PRV was transferred to Retrophin under the original terms of the agreement with Asklepion.

On March 31, 2015, the Company completed its acquisition from Asklepion of all worldwide rights, titles and ownership of Cholbam, including all related contracts, data assets, intellectual property, regulatory assets and the Pediatric PRV, in exchange for a cash payment of $28.4 million , in addition to approximately 661,279 shares of the Company's common stock (initially valued at $9 million at the time of the definitive agreement with Asklepion, and $15.8 million at the acquisition completion date). The Company is also required to pay contingent consideration consisting of milestones and tiered royalties with a present value of $39.1 million .

The original asset value of the Pediatric PRV was recognized at $96.3 million . In this valuation process, we considered various factors which included data from recent sales of similar vouchers. The consideration paid to Asklepion did not value the Pediatric PRV because the issuance of a Pediatric PRV is extremely rare. Therefore when the FDA granted the Pediatric PRV with the Cholbam approval, a bargain purchase gain resulted.

The acquisition was accounted for under the purchase method of accounting in accordance with ASC 805. The fair value of assets acquired and liabilities assumed was based upon a valuation and the Company's estimates. Critical estimates in valuing certain intangible assets include but are not limited to future expected cash flows from acquired product rights to Cholbam, the Pediatric PRV, trade names and developed technologies, present value and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

The purchase included $83.2 million of intangible assets with definite lives related to product rights with values of $75.9 million for the U.S. and $7.3 million for the international rights. The useful lives related to the acquired product rights are expected to be approximately 10 years .

The contingent consideration of $39.1 million recorded during the year ended December 31, 2015 was related to an agreement to pay an additional cash amount based on the product performance through 2025. The accrued contingent consideration was recorded as a liability at acquisition-date fair value using the income approach with assumed discount rates of 19.0% over the applicable term. The undiscounted amount the Company could pay under the contingent consideration agreement as of December 31, 2015 was up to $16.3 million .

Service fees with a net present value of $2.9 million were recorded during the year ended December 31, 2015. The net present value is based upon $4.0 million in total payments over a four year period starting as of the acquisition date.

As part of the business combination the Company recorded a deferred tax liability of $39.9 million . The deferred tax liability is derived from the difference in the Company's book basis and tax basis in the assets acquired of $88.5 million . The tax rate utilized was 45.4% .

The purchase price allocation of $91.3 million as of the acquisition completion date of March 31, 2015 was as follows (*in thousands*):

Cash paid upon consummation	$	33,430
Present value of contingent consideration and service fees		42,010
Fair Value of 661,279 shares issued to Asklepion		15,844
Total Purchase Price	$	91,284
Fair Value of Assets Acquired and Liabilities Assumed		
Acquired product rights: Cholbam (Intangible Asset)	$	83,200
Pediatric Priority Review Voucher		96,250
Inventory		777
Deferred tax liability		(39,880)
Total Allocation of Purchase Price	$	140,347
Bargain Purchase Gain		(49,063)
Total Purchase Price	$	91,284

Unaudited pro forma information for the transaction was not presented, because the effects of such transaction were considered immaterial to the Company.

NOTE 6. MARKETABLE SECURITIES

The Company's marketable securities as of June 30, 2016 and December 31, 2015 were comprised of available-for-sale marketable securities which are carried at fair value, with the unrealized gains and losses reported in accumulated other comprehensive income. The amortized cost of debt securities in this category are adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion is included in interest income. Realized gains and losses and declines in value judged to be other-than-temporary, if any, on available-for-sale securities are included in other income or expense. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income. During the six months ended June 30, 2016 , investment activity for the Company included $59.9 million in maturities and purchases of $68.5 million , all relating to debt based marketable securities.

Marketable securities consisted of the following (*in thousands*):

		June 30, 2016		December 31, 2015
Marketable other than equity securities:				
Commercial paper	$	40,823	$	31,864
Corporate debt securities		130,023		125,547
Securities of government sponsored entities		29,513		34,388
Total Marketable Securities:	$	200,359	$	191,799

The following is a summary of short-term marketable securities classified as available-for-sale as of June 30, 2016 (*in thousands*):

	Remaining Contractual Maturity (in years)	Amortized Cost	Unrealized Gains	Unrealized Losses	Aggregate Estimated Fair Value
Marketable other than equity securities:					
Commercial paper	Less than 1	$ 40,841	$ 2	$ (20)	$ 40,823
Corporate debt securities	Less than 1	92,226	26	(25)	92,227
Securities of government-sponsored entities	Less than 1	5,000	—	—	5,000
Total maturity less than 1 year		138,067	28	(45)	138,050
Corporate debt securities	1 to 2	37,718	103	(25)	37,796
Securities of government-sponsored entities	1 to 2	24,511	3	(1)	24,513
Total maturity 1 to 2 years		62,229	106	(26)	62,309
Total available-for-sale securities		$ 200,296	$ 134	$ (71)	$ 200,359

The following is a summary of short-term marketable securities classified as available-for-sale as of December 31, 2015 (*in thousands*):

	Remaining Contractual Maturity (in years)	Amortized Cost	Unrealized Gains	Unrealized Losses	Aggregate Estimated Fair Value
Marketable Other than Equity Securities:					
Commercial paper	Less than 1	$ 31,899	$ 6	$ (41)	$ 31,864
Corporate debt securities	Less than 1	69,859	—	(164)	69,695
Total maturity less than 1 year		101,758	6	(205)	101,559
Corporate debt securities	1 to 2	56,162	—	(310)	55,852
Securities of government-sponsored entities	1 to 2	34,522	2	(136)	34,388
Total maturity 1 to 2 years		90,684	2	(446)	90,240
Total available-for-sale securities		$ 192,442	$ 8	$ (651)	$ 191,799

The primary objective of the Company's investment portfolio is to enhance overall returns while preserving capital and liquidity. The Company's investment policy limits interest-bearing security investments to certain types of instruments issued by institutions with primarily investment grade credit ratings and places restrictions on maturities and concentration by asset class and issuer.

The Company reviews the available-for-sale investments for other-than-temporary declines in fair value below cost basis each quarter and whenever events or changes in circumstances indicate that the cost basis of an asset may not be recoverable. This evaluation is based on a number of factors, including the length of time and the extent to which the fair value has been below the cost basis and adverse conditions related specifically to the security, including any changes to the credit rating of the security, and the intent to sell, or whether the Company will more likely than not be required to sell the security before recovery of its amortized cost basis. The assessment of whether a security is other-than-temporarily impaired could change in the future due to new developments or changes in assumptions related to any particular security. As of June 30, 2016 and December 31, 2015 , the Company believed the cost basis for available-for-sale investments was recoverable in all material respects.

NOTE 7. DERIVATIVE FINANCIAL INSTRUMENTS

Since 2013, the Company has issued five tranches of common stock purchase warrants to secure financing, remediate covenant violations and provide consideration for credit facility amendments extinguished in 2015.

The Company accounts for derivative financial instruments in accordance with FASB ASC 815-40, *Derivative and Hedging – Contracts in Entity's Own Equity* , pursuant to which instruments which do not have fixed settlement provisions are deemed to be derivative instruments. The Company's warrants are classified as liability instruments due to an anti-dilution provision that provides for a reduction to the exercise price of the warrants if the Company issues additional equity or equity linked instruments in the future at an effective price per share less than the exercise price then in effect.

The warrants are re-measured at each balance sheet date based on estimated fair value. Changes in estimated fair value are recorded as non-cash adjustments within other income (expenses), net, in the Company's accompanying Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). The Company recorded a loss on the change in the estimated fair value of warrants of $9.1 million and a gain on the change in the estimated fair value of warrants of $5.3 million for the three and six months ended June 30, 2016 , respectively, and a loss on the change in the estimated fair value of warrants of $29.4 million and $66.2 million for the three and six months ended June 30, 2015, respectively.

The Company calculated the fair value of the warrants using the Monte Carlo Simulation as of June 30, 2016 and December 31, 2015 , using the following assumptions:

	June 30, 2016	December 31, 2015
Fair value of common stock	$ 17.81	$ 19.29
Remaining life of the warrants (in years)	1.6 - 3.5 years	2.1 - 4.0 years
Risk-free interest rate	.53-.79%	1.11-1.59%
Expected volatility	65-85%	75-85%
Dividend yield	—%	—%

Expected volatility is based on analysis of the Company's volatility, as well as the volatilities of guideline companies. The risk free interest rate is based on the U.S. Treasury security rates for the remaining term of the warrants at the measurement date.

NOTE 8. FAIR VALUE MEASUREMENTS

Financial Instruments and Fair Value

The Company accounts for financial instruments in accordance with ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The valuation techniques used to measure the fair value of the Company's marketable securities and all other financial instruments, all of which have counterparties with high credit ratings, were valued based on quoted market prices or model driven valuations using significant inputs derived from or corroborated by observable market data. Based on the fair value hierarchy, the Company classified marketable securities within Level 2.

In estimating the fair value of the Company's derivative liabilities, the Company used the Monte Carlo Simulation as of June 30, 2016 and December 31, 2015 . Based on the fair value hierarchy, the Company classified the derivative liability within Level 3.

In estimating the fair value of the Company's contingent consideration, the Company used the comparable uncontrolled transaction ("CUT") method for royalty payments based on projected revenues. Based on the fair value hierarchy, the Company classified contingent consideration within Level 3 because valuation inputs are based on projected revenues discounted to a present value.

Financial instruments with carrying values approximating fair value include cash and cash equivalents, accounts receivable, notes receivable, and accounts payable, due to their short term nature. We estimate the fair value of convertible debt is $67.3 million , considering factors such as market conditions, prepayment and make-whole provisions, variability in pricing from multiple lenders and term of debt.

The following table presents the Company's assets and liabilities, measured and recognized at fair value on a recurring basis, classified under the appropriate level of the fair value hierarchy as of June 30, 2016 (*in thousands*):

	As of June 30, 2016			
	Total carrying and estimated fair value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset:				
Marketable securities, available-for-sale	$ 200,359	$ —	$ 200,359	$ —
Liabilities:				
Derivative liability related to warrants	$ 33,360	$ —	$ —	$ 33,360
Business combination-related contingent consideration	$ 86,377	$ —	$ —	$ 86,377

The following table presents the Company's asset and liabilities, measured and recognized at fair value on a recurring basis, classified under the appropriate level of the fair value hierarchy as of December 31, 2015 (*in thousands*):

	As of December 31, 2015			
	Total carrying and estimated fair value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset:				
Marketable securities, available-for-sale	$ 191,799	$ —	$ 191,799	$ —
Liabilities:				
Derivative liability related to warrants	$ 38,810	$ —	$ —	$ 38,810
Business combination-related contingent consideration	$ 59,021	$ —	$ —	$ 59,021

The following table sets forth a summary of changes in the estimated fair value of the Company's derivative financial instruments-warrants liability for the six months ended June 30, 2016 (*in thousands*):

	Fair Value Measurements of Common Stock Warrants Using Significant Unobservable Inputs (Level 3)
Balance at January 1, 2016	$ 38,810
Reclassification of derivative liability to equity upon exercise of warrants	(173)
Change in estimated fair value of liability classified warrants	(5,277)
Balance at June 30, 2016	$ 33,360

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. At each reporting period, the Company performs a detailed analysis of the assets and liabilities that are subject to ASC 820. See Note 7 for further discussion of derivative financial instruments relating to warrants.

The following table sets forth a summary of changes in the estimated fair value of the Company's business combination-related contingent consideration for the six months ended June 30, 2016 (*in thousands*):

	Fair Value Measurements of Acquisition-Related Contingent Consideration (Level 3)
Balance at January 1, 2016	$ 59,021
Increase from revaluation of contingent consideration	5,485
Acquisition of L-UDCA	25,000
Contractual payments	(1,510)
Contractual payments accrued at June 30, 2016	(1,677)
Foreign currency impact	58
Balance at June 30, 2016	$ 86,377

The fair value of contingent consideration liabilities was determined by applying a form of the income approach (a level 3 input), based upon the probability-weighted projected payment amounts discounted to present value at a rate appropriate for the risk of achieving the performance targets. The key assumptions included in the calculations were the earn-out period payment probabilities, projected revenues, discount rate and the timing of payments. The present value of the expected payments considers the time at which the obligations are expected to be settled and a discount rate that reflects the risk associated with the performance payments.

During the three and six month periods ended June 30, 2016 , the Company incurred charges of $2.8 million and $5.5 million , respectively, in operating expenses on the Condensed Consolidated Statement of Operations and Comprehensive Income (Loss) for the revaluation of the contingent consideration liabilities. For the three month period ended June 30, 2016, $1.5 million and $1.3 million are related to the increase in contingent consideration liabilities for the products Chenodal and Cholbam, respectively. For the six month period ended June 30, 2016, $2.9 million and $2.6 million are related to the increase in contingent consideration liabilities for the products Chenodal and Cholbam, respectively. In each case, the value increased due to changes in the estimated timing of payments. During the three and six month periods ended June 30, 2015 , the Company incurred charges of $0.1 million , in operating expenses on the Condensed Consolidated Statement of Operations and Comprehensive Income (Loss).

NOTE 9. INTANGIBLE ASSETS

As of June 30, 2016 , the net book value of amortizable intangible assets was approximately $184.4 million .

The following table sets forth amortizable intangible assets as of June 30, 2016 and December 31, 2015 (*in thousands*):

	June 30, 2016	December 31, 2015
Finite-lived intangible assets	$ 209,787	$ 179,096
Less: accumulated amortization	(25,355)	(17,560)
Net carrying value	$ 184,432	$ 161,536

The following table summarizes amortization expense for the three and six months ended June 30, 2016 and 2015 (*in thousands*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Research and development	$ 81	$ 193	$ 163	$ 414
Selling, general and administrative	3,829	3,614	7,632	5,128
Total amortization expense	$ 3,910	$ 3,807	$ 7,795	$ 5,542

NOTE 10. NOTES PAYABLE

Convertible Notes Payable

On May 29, 2014, the Company entered into a Note Purchase Agreement relating to a private placement by the Company of $46.0 million aggregate principal senior convertible notes due in 2019 (the “Notes”) which are convertible into shares of the Company’s common stock at an initial conversion price of $17.41 per share. The conversion price is subject to customary anti-dilution protection. The Notes bear interest at a rate of 4.5% per annum, payable semiannually in arrears on May 15 and November 15 of each year. The Notes mature on May 30, 2019 unless earlier converted or repurchased in accordance with the terms, and there are no contractual payments due prior to that date. At June 30, 2016 and December 31, 2015 , the aggregate carrying value of the Notes was $44.1 million and $43.8 million , respectively.

As of March 31, 2016, the Company retrospectively adopted FASB ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs." This ASU amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of as a deferred charge. At June 30, 2016 and December 31, 2015 the debt issuance costs related to the Notes was $0.1 million .

NOTE 11. ACCRUED EXPENSES

Accrued expenses at June 30, 2016 and December 31, 2015 consisted of the following (*in thousands*):

	June 30, 2016	December 31, 2015
Government rebates payable	$ 3,826	$ 3,158
Compensation related costs	4,765	7,143
Accrued royalties and contingent consideration	5,069	4,688
Research and development	5,725	4,281
Selling, general and administrative	1,619	2,704
Miscellaneous accrued	2,155	1,846
	$ 23,159	$ 23,820

NOTE 12. EARNINGS (LOSS) PER SHARE

Basic and diluted net earnings (loss) per common share is calculated by dividing net income (loss) applicable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration of common stock equivalents. The Company’s potentially dilutive shares, which include outstanding stock options, restricted stock units, warrants and shares issuable upon conversion of the Notes, are considered to be common stock equivalents and are only included in the calculation of diluted net loss per share when their effect is dilutive.

Basic and diluted net earnings (loss) per share is calculated as follows *(net income amounts are stated in thousands)* :

	Three Months Ended					
	June 30, 2016			June 30, 2015		
	Shares	Net Income	EPS	Shares	Net Income	EPS
Basic Earnings per Share	36,683,429	$ (13,403)	$ (0.37)	34,957,134	$ (25,527)	$ (0.73)
Dilutive earnings per share	36,683,429	$ (13,403)	$ (0.37)	34,957,134	$ (25,527)	$ (0.73)

	Six Months Ended					
	June 30, 2016			June 30, 2015		
	Shares	Net Income	EPS	Shares	Net Income	EPS
Basic net earnings (loss) per share	36,601,807	$ (2,187)	$ (0.06)	31,079,053	$ 14,128	$ 0.45
Dilutive shares related to derivative warrants	1,461,478	—		—	—	
Change in fair value of derivative instruments	—	(5,277)		—	—	
Convertible debt	—	—		2,642,160	1,035	
Restricted stock	—	—		292,027	—	
Stock options	—	—		814,165	—	
Dilutive net earnings (loss) per share	38,063,285	$ (7,464)	$ (0.20)	34,827,405	$ 15,163	$ 0.44

For the three and six months ended June 30, 2016 and 2015 , the following shares were excluded because they were anti-dilutive (*share amounts in millions*):

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Restricted stock units	0.3	—	0.3	—
Convertible debt	2.6	2.6	2.6	—
Options	6.1	2.6	5.9	1.2
Warrants	2.7	—	—	3.3
Total anti-dilutive shares	11.7	5.2	8.8	4.5

NOTE 13. COMMITMENTS AND CONTINGENCIES

Leases and Sublease Agreements

California Offices

San Diego Office

On September 8, 2014, the Company entered into a lease agreement for its corporate headquarters located in San Diego, California. The Company rents this office space for approximately $540,000 per annum plus escalations. The lease commenced on October 1, 2014 and expires on December 31, 2017.

Carlsbad Office - Vacated

In October 2014, Retrophin ceased use of this facility and all employees moved into the new headquarters facility in San Diego, California. As a result of vacating this location, the Company recorded a loss of $0.2 million in the year ended December 31, 2014. On March 27, 2015 the Company was able to sublease a portion of this facility for the remaining lease term. The Company is in a listing agreement with a broker to market the remaining Carlsbad space for sublease. The Company's leases for the two suites which encompass this facility expire on February 28, 2017 and June 30, 2017.

Massachusetts Office

On July 31, 2014, the Company entered into a sublease agreement for new office space located in Cambridge, Massachusetts. The Company rents this office space for approximately $815,000 per annum. The sublease expires on December 31, 2016.

New York Office

On December 30, 2015, the Company amended the lease agreement for its offices in New York, New York to extend the lease term through November 2018. This Company rents this office space for approximately $550,000 per annum in rent plus escalations.

Research Collaboration and Licensing Agreements

As part of the Company's research and development efforts, the Company enters into research collaboration and licensing agreements with unrelated companies, scientific collaborators, universities, and consultants. These agreements contain varying terms and provisions which include fees and milestones to be paid by the Company, services to be provided, and ownership rights to certain proprietary technology developed under the agreements. Some of these agreements contain provisions which require the Company to pay royalties, in the event the Company sells or licenses any proprietary products developed under the respective agreements.

Contractual Commitments

The following table summarizes our principal contractual commitments, excluding open orders that support normal operations, as of June 30, 2016 (*in thousands*):

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating leases	$ 2,140	$ 1,054	$ 1,086	$ —	$ —
Note payable, including contractual interest	52,037	2,070	49,967	—	—
Sales support services	3,262	416	833	2,013	—
Product supply contracts	1,515	1,265	250	—	—
Purchase order commitments	444	219	225	—	—
	$ 59,398	$ 5,024	$ 52,361	$ 2,013	$ —

Legal Proceedings

On September 19, 2014, purported shareholders of the Company sued Martin Shkreli, the Company’s former Chief Executive Officer, in federal court in the Southern District of New York (Donoghue v. Retrophin, Inc., Case No. 14-cv-7640). The Company is a nominal defendant in this action. The plaintiffs sought, on behalf of the Company, disgorgement of short-swing profits from Mr. Shkreli under section 16(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78(p)(b)). The Court has approved a settlement between the parties, under which Mr. Shkreli is obligated to pay $2,025,000 to the Company and an additional $625,000 to Plaintiffs to compensate them for their legal fees. Mr. Shkreli defaulted on the judgment and the Company and the Plaintiffs took steps to collect it. The Company did not record anything related to the judgment on its financial statements for 2015. Any related amounts received will be recorded against equity when collected. On February 18, 2016, Mr. Shkreli sought leave from the Court to move for a protective order to block the enforcement of the judgment. The Company and Plaintiffs’ counsel also sought leave to file motions in connection with their enforcement efforts. On March 16, 2016, the Court granted the parties leave to file their respective motions and ordered that all enforcement efforts be stayed for thirty days. On May 24, 2016, Plaintiffs’ counsel informed the Court that the parties had entered into an agreement under which Plaintiffs’ counsel were to be paid in full, and that pursuant to that agreement they had no further stake in the matter and would not participate in future case events. Under that agreement, the Company paid $8,249 to Plaintiffs’ counsel to compensate them for certain disbursements which Plaintiffs’ counsel had made in connection with their efforts to enforce the judgment, and the Company also assumed control over all restraining notices and subpoenas previously served by Plaintiffs’ counsel. At a status conference on June 10, 2016, the Court ordered Mr. Shkreli and the Company to keep the Court updated on the progress of their settlement negotiations. To date, none of the parties have filed any of the motions which they previously sought leave to file. The resolution of this matter is tied to the resolution of the United States Internal Revenue Service (“IRS”) tax levy discussed below.

On October 20, 2014, a purported shareholder of the Company filed a putative class action complaint in federal court in the Southern District of New York against the Company, Mr. Shkreli, Marc Panoff, and Jeffrey Paley (Kazanchyan v. Retrophin, Inc., Case No. 14-cv-8376). On December 16, 2014, a second, related complaint was filed in the Southern District of New York against the same defendants (Sandler v. Retrophin, Inc., Case No. 14-cv-9915). The complaints assert violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 in connection with defendants’ public disclosures during the period from November 13, 2013 through September 30, 2014. In December 2014, plaintiff Kazanchyan filed a motion to appoint lead plaintiff, to approve lead counsel, and to consolidate the two related actions. On February 10, 2015, the Court consolidated the two actions, appointed lead plaintiff, and approved lead counsel. Lead plaintiff filed a consolidated amended complaint on March 4, 2015, which again named the Company, Mr. Shkreli, Mr. Panoff, and Mr. Paley as defendants, but which also named Steven Richardson, Stephen Aselage, and Cornelius Golding as additional defendants. On May 26, 2015, with the consent of the lead plaintiff, the court ordered that the claims against Mr. Paley be dismissed. The remaining defendants, including the Company, filed motions to dismiss the consolidated amended complaint, which were fully-briefed as of October 29, 2015. On December 1, 2015, counsel jointly informed the Court that the parties had reached a comprehensive settlement, subject to Court approval. On January 29, 2016, the parties filed motion for preliminary approval of the settlement and supporting papers, including a stipulation of settlement. On February 2, 2016, the Court preliminarily approved the settlement. On June 10, 2016, the Court approved the settlement, directed implementation of the settlement, and ordered the action dismissed with prejudice. The settlement amount has been paid by the Company’s insurer.

In January 2015, the Company received a subpoena relating to a criminal investigation by the U.S. Attorney for the Eastern District of New York. The subpoena requested information regarding, among other things, the Company’s relationship with Mr. Shkreli and individuals or entities that had been investors in investment funds previously managed by Mr. Shkreli. The Company has been informed that it is not a target of the U.S. Attorney’s investigation, and is cooperating with the investigation. On December 17, 2015, an indictment against the Company’s former Chief Executive Officer,

Martin Shkreli, and its former outside counsel, Evan Greebel, was unsealed in the United States District Court for the Eastern District of New York. A superseding indictment reflecting additional charges was filed on June 3, 2016. The Company has also been cooperating with a parallel investigation by the U.S. Securities and Exchange Commission (the "SEC"). On December 17, 2015, the SEC filed a civil complaint against Mr. Shkreli, Mr. Greebel, MSMB Capital Management LLC, and MSMB Healthcare Management LLC in the United States District Court for the Eastern District of New York. In connection with these proceedings, Mr. Shkreli, as well as a number of other current and former directors, officers and employees, have sought advancement of their legal fees from the Company. Mr. Shkreli, in particular, claims that the Company owes him in excess of $5 million in legal fees that he has incurred defending these actions. The Company disputes its obligation to pay the amount in full and has been negotiating with Mr. Shkreli over the amount to be paid. The resolution of this matter is tied to the resolution of the IRS tax levy discussed below. If the parties cannot agree on a resolution, the amount due will be addressed through litigation.

On August 17, 2015, the Company filed a lawsuit in federal district court for the Southern District of New York against Martin Shkreli, asserting that he breached his fiduciary duty of loyalty during his tenure as the Company's Chief Executive Officer and a member of its Board of Directors (Retrophin, Inc. v. Shkreli, 15-CV-06451(NRB)). On August 19, 2015, Mr. Shkreli served a demand for JAMS arbitration on Retrophin, claiming that Retrophin had breached his December 2013 employment agreement. In response to Mr. Shkreli's arbitration demand, the Company has asserted counterclaims in the arbitration that are substantially similar to the claims it previously asserted in the federal lawsuit against Mr. Shkreli. The parties have selected an arbitration panel. On Mr. Shkreli's application, and with the Company's consent, the federal Court has granted a stay of the federal lawsuit pending a determination by the arbitration panel whether the Company's counterclaims will be litigated in the arbitration, as the Company is seeking. On April 22, 2016, the arbitration panel granted the parties' request for a stay of the proceedings pending settlement discussions. In connection with these proceedings, Mr. Shkreli has sought advancement of his legal fees from the Company relating to his defense of the Company's claims against him. Mr. Shkreli claims that he has to date incurred in excess of $2.8 million in fees, including fees incurred in negotiating with the Company over advancement. The Company disputes its obligation to pay the amount in full and has been negotiating with Mr. Shkreli over the amount to be paid. The resolution of this matter is tied to the resolution of the IRS tax levy discussed below. If the parties cannot agree on a resolution, the amount due will be addressed through litigation.

In July 2016, the Company received a demand for payment from the IRS regarding a levy issued by the IRS in March 2016 with respect to unpaid federal income taxes personally owed by Mr. Shkreli for the year ended December 31, 2014, for approximately $4.0 million . The levy sought to collect any property or rights to property (such as money, credits and bank deposits) in the Company's possession that belong to or are owed to Mr. Shkreli. The Company believes that it is uncertain, as a matter of law, whether and how the tax levy applies to the Company's advancement obligations to Mr. Shkreli. As indicated above, the amounts of the Company's advancement obligations to Mr. Shkreli are subject to dispute. The Company intends to seek a private letter ruling from the IRS for a formal decision with respect to the applicability of the tax levy.

The Company believes it is probable that it will incur some amount of loss related to Mr. Shkreli's claims for advancement (as described above), either to the IRS or to Mr. Shkreli. However, there is significant uncertainty as to the outcome of this matter such that the amount of the loss is not estimable at the present time. Prior to its receipt of the IRS tax levy, the Company and Mr. Shkreli had negotiated a potential resolution of this matter. However, the existence of the tax levy has prevented the parties from pursuing that resolution and made uncertain the amount of any obligation that the company may actually incur to the IRS or to Mr. Shkreli, as the case may be. Accordingly, as of June 30, 2016 no accruals for loss contingencies had been recorded.

From time to time the Company is involved in legal proceedings arising in the ordinary course of business. The Company believes there is no litigation pending that could have, individually or in the aggregate, a material adverse effect on its results of operations or financial condition.

NOTE 14. SHARE BASED COMPENSATION

Restricted Shares

Service Based Restricted Stock Awards

The following table summarizes the Company's restricted stock activity during the six months ended June 30, 2016 :

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding December 31, 2015	429,666	$ 20.38
Granted	130,000	16.01
Vested	(77,666)	16.63
Forfeited/canceled	(34,335)	12.07
Outstanding June 30, 2016	447,665	$ 20.40

At June 30, 2016 , unamortized stock compensation for restricted stock awards was $6.4 million , with a weighted-average recognition period of 1.2 years .

Performance Based Restricted Stock Awards

During the three and six months ended June 30, 2016 , the Company issued 70,000 performance based restricted stock awards.

Stock Options

The following table summarizes stock option activity during the six months ended June 30, 2016 :

	Shares Underlying Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2015	5,665,584	$ 17.05	8.75	$ 31,542
Granted	1,381,750	16.09		
Exercised	(166,611)	9.43		
Forfeited/canceled	(157,741)	20.58		
Outstanding at June 30, 2016	6,722,982	$ 16.96	8.21	$ 26,854

At June 30, 2016 , unamortized stock compensation for stock options was $46.8 million , with a weighted-average recognition period of 2.0 years .

At June 30, 2016 , outstanding options to purchase 2.9 million shares of common stock were exercisable with a weighted-average exercise price per share of $13.84 .

Share Based Compensation

The following table sets forth total non-cash stock-based compensation by operating statement classification for the three and six months ended June 30, 2016 and 2015 (*in thousands*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Research and development	$ 2,641	$ 1,749	$ 5,127	$ 3,968
Selling, general & administrative	4,852	3,245	9,159	6,599
Total	$ 7,493	$ 4,994	$ 14,286	$ 10,567

Exercise of Warrants

During the three and six months ended June 30, 2016, the Company issued 15,000 shares of common stock upon the exercise of warrants for cash received by the Company in the amount of $0.1 million . The Company reclassified $0.2 million derivative liability to equity for the value of these warrants on the date of exercise. The warrants were revalued immediately prior to exercise and the change in the fair value of $0.1 million was recorded as other expense in the consolidated financial statements of the Company.

At June 30, 2016 and December 31, 2015 , warrants to purchase 2,650,548 and 2,665,548 shares of common stock, respectively, were outstanding.

NOTE 15. INVENTORY

Inventory, net of reserves, consisted of the following at June 30, 2016 and December 31, 2015 (*in thousands*):

	June 30, 2016	December 31, 2015
Raw materials	$ 232	$ 289
Finished goods	2,481	2,247
Total inventory	$ 2,713	$ 2,536

The inventory reserve was $0 and $0.3 million at June 30, 2016 and December 31, 2015 , respectively.

NOTE 16. RECEIVABLES

Accounts Receivables

Accounts receivable, net of reserves for prompt pay discounts and doubtful accounts, was $16.6 million and $12.5 million at June 30, 2016 and December 31, 2015 , respectively. The total reserves for both periods were immaterial.

Notes Receivables

Notes receivable arose from the Company's sale of a Pediatric PRV in July 2015 to Sanofi for $245.0 million . $150.0 million was received upon closing, and $47.5 million is due on each of the first and second anniversaries of the closing. In accordance with GAAP, the Company recorded the future short term and long term notes receivable at their present value of $46.2 million and $44.9 million , respectively, at the date of the sale using a

discount rate of 2.8% . The accretion on the notes receivable totaled $0.6 million and $1.3 million for the three and six month periods ending June 30, 2016 , respectively, and is recorded in interest expense, net, in the Consolidated Statements of Operations and Comprehensive Income (Loss). The present value of the current and long-term notes receivable are $47.5 million and $46.2 million , respectively, and $46.8 million and $45.6 million , respectively, as of June 30, 2016 and December 31, 2015 . The Company noted no indications for impairment as of June 30, 2016 .

NOTE 17. SUBSEQUENT EVENT

Maturity of Note Receivable

On July 1, 2016 the Company received $47.5 million from Sanofi . This is the second of three payments related to the PRV sale agreement whereby the Company transfered the PRV To Sanofi in 2015. See Note 16 for further discussion.

Cholic Acid territory transfer for Australia

On July 15, 2016 the Company signed a binding memorandum of understanding ("MOU") with Asklepion in which the Company agreed to transfer to Asklepion the Cholic Acid Product Data Assets and Cholic Acid Know-How solely in the territory of Australia. Under the MOU, Asklepion will have the right to license its territory rights but will remain responsible for performance by its licensees. As consideration for the transfer, Asklepion will pay a royalty to the Company based on net sales within the territory.

San Diego - New Lease

On July 26, 2016, the Company entered into a Lease Agreement (the "Lease") with Kilroy Realty, LP, a Delaware limited partnership, whereby it leased approximately 23,107 square feet of space located at 3721 Valley Centre Drive, San Diego, that will house our corporate headquarters. The Lease has a term of seven years and seven months , commencing on December 20, 2016; an annual base rent of approximately $1.1 million per annum plus escalations; a five year option renewal of the Lease at market rent; and additional rent for the proportionate share of the expense for the operation, maintenance and repair of the common areas.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto as of and for the year ended December 31, 2015 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K for the year ended December 31, 2015 , filed with the Securities and Exchange Commission (SEC) on February 26, 2016, and amended on March 2, 2016. Past operating results are not necessarily indicative of results that may occur in future periods.

Forward-Looking Statements

The information in this discussion contains forward-looking statements and information within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which are subject to the "safe harbor" created by those sections. These forward-looking statements include, but are not limited to, statements concerning our strategy, future operations, future financial position, future revenues, projected costs, prospects and plans and objectives of management. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements that we make. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward-looking statements, including, without limitation, the risks set forth in Part II, Item IA, "Risk Factors" in this Quarterly Report on Form 10-Q and in our other filings with the SEC. The forward-looking statements are applicable only as of the date on which they are made, and we do not assume any obligation to update any forward-looking statements.

Overview

We are a fully integrated biopharmaceutical company with approximately 130 employees headquartered in San Diego, California dedicated to delivering life-changing therapies to people living with rare diseases who have few, if any, treatment options. Our approach centers on our pipeline, featuring clinical-stage assets and pre-clinical discovery programs targeting rare diseases with significant unmet medical needs. Our research and development efforts are supported by revenues from the Company's marketed products, Chenodal ® , Cholbam ® and Thiola ® . In addition we regularly evaluate and, where appropriate, act on opportunities to expand our product pipeline through licenses and acquisitions of products in areas that will serve patients with serious, catastrophic or rare diseases and that we believe offer attractive growth characteristics.

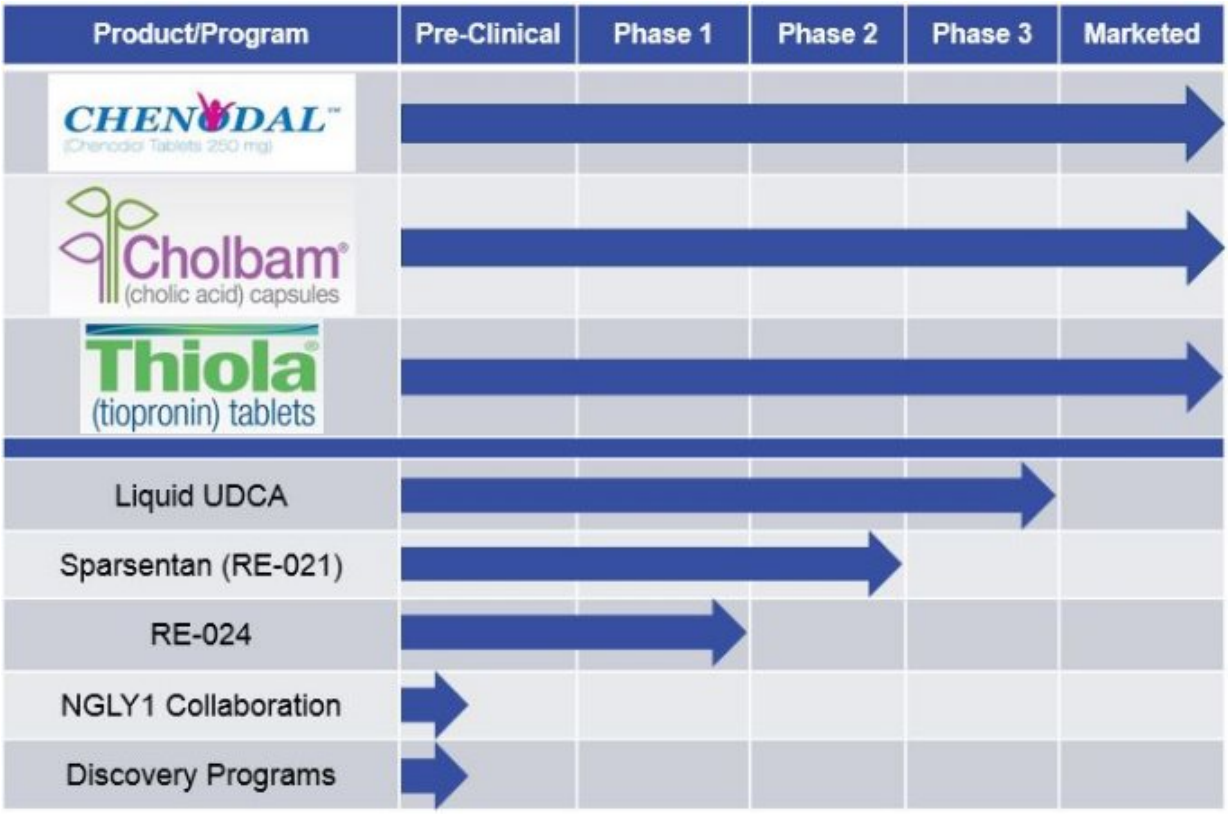
We currently sell the following three products:

- **Chenodal ® (chenodeoxycholic acid)** is approved in the United States for the treatment of patients suffering from gallstones in whom surgery poses an unacceptable health risk due to disease or advanced age. Chenodal has also been the standard of care for cerebrotendinous xanthomatosis ("CTX") patients for more than three decades and we are currently pursuing adding this indication to the label.

- **Cholbam ® (cholic acid)** is approved in the United States for the treatment of bile acid synthesis disorders due to single enzyme defects and is further indicated for adjunctive treatment of patients with peroxisomal disorders.
- **Thiola ® (tiopronin)** is approved in the United States for the prevention of cysteine (kidney) stone formation in patients with severe homozygous cystinuria.

On June 20, 2016 we announced the signing of a definitive agreement to purchase the rights, titles, and ownership of a liquid formulation of ursodeoxycholic acid (L-UDCA or ursodiol) from Asklepion Pharmaceuticals, LLC. We intend to file a New Drug Application with the U.S. Food and Drug Administration for the liquid formulation of L-UDCA for the treatment of primary biliary cholangitis (PBC) in 2017. The total purchase price of the acquisition was $25.5 million . See Note 5 for further discussion.

Products and Research and Development Programs



Products on the Market:

Chenodal (chenodiol tablets)

Chenodal is a synthetic oral form of chenodeoxycholic acid, a naturally occurring primary bile acid synthesized from cholesterol in the liver, indicated for the treatment of radiolucent stones in well-opacifying gallbladders in patients in whom selective surgery would be undertaken except for the presence of increased surgical risk due to systemic disease or age.

Chenodal administration is known to reduce biliary cholesterol and the dissolution of radiolucent gallstones through suppression of hepatic synthesis of cholesterol, cholic acid and deoxycholic acid in the bile pool. Chenodal was first approved by the Food and Drug Administration (the "FDA") in 1983 for the management of gallstones but its marketing was later discontinued due to lack of commercial success. In 2009, Nexgen Pharma's Abbreviated New Drug Application, or ANDA, for Chenodal was approved by the FDA for the treatment of gallstones; Chenodal is manufactured for Manchester Pharmaceuticals LLC ("Manchester") under this ANDA. Manchester subsequently obtained Orphan Drug Designation for Chenodal for the treatment of CTX, a rare autosomal recessive lipid storage disease, in 2010.

While Chenodal is not labeled for CTX, it has been used as the standard of care for over three decades. We are working to obtain FDA approval of Chenodal for the treatment of CTX. The prevalence of CTX is estimated in the literature to be as high as 1 in 70,000 in the overall population. Pathogenesis of CTX involves deficiency of the enzyme 27-hydroxylase (encoded by the gene CYP27A1), a rate-limiting enzyme in the synthesis of primary bile acids, including CDCA, from cholesterol. The disruption of primary bile acid synthesis in CTX leads to toxic accumulation of cholesterol

and cholestanol in most tissues. Most patients present with intractable diarrhea, premature cataracts, tendon xanthomas, atherosclerosis, and cardiovascular disease in childhood and adolescence. Neurological manifestations of the disease, including dementia and cognitive and cerebellar deficiencies, emerge during late adolescence and adulthood. Oral administration of CDCA has been shown to normalize primary bile acid synthesis in patients with CTX.

Cholbam

The FDA approved Cholbam capsules in March 2015, the first FDA approved treatment for pediatric and adult patients with bile acid synthesis disorders due to single enzyme defects, and for adjunctive treatment of patients with peroxisomal disorders (including Zellweger spectrum disorders). The effectiveness of Cholbam has been demonstrated in clinical trials for bile acid synthesis disorders and the adjunctive treatment of peroxisomal disorders. Approximately 30 patients have transitioned from the open label extension trial to commercial product. The estimated incidence of bile acid synthesis disorders due to single enzyme defects is 1 to 9 per million live births.

Kolbam, the branded name of Cholbam in Europe, is indicated in Europe for the treatment of inborn errors of primary bile acid synthesis, encompassing select single enzyme defects, in infants from one month of age for continuous lifelong treatment through adulthood, encompassing the following single enzyme defects:

- sterol 27-hydroxylase (presenting as cerebrotendinous xanthomatosis, CTX) deficiency;
- 2- (or alpha-) methylacyl-CoA racemase (AMACR) deficiency; and
- cholesterol 7 alpha-hydroxylase (CYP7A1) deficiency.

Thiola (Tiopronin)

Thiola is approved by the FDA for the treatment of cystinuria, a rare genetic cystine transport disorder that causes high cystine levels in the urine and the formation of recurring kidney stones. The resulting long-term damage can cause loss of kidney function in addition to substantial pain and loss of productivity associated with renal colic, stone passage and multiple potential surgical procedures. The prevalence of cystinuria in the United States is estimated to be 10,000 to 12,000, indicating that there may be as many as 4,000 to 5,000 individuals affected with cystinuria severe enough to make them candidates for Thiola.

Product Candidates:

Sparsentan

Sparsentan , also known as RE-021, is an investigational therapeutic agent which acts as both a potent angiotensin receptor blocker (“ARB”), as well as a selective endothelin receptor antagonist (“ERA”), with in vitro selectivity toward endothelin receptor type A . We have secured a license to sparsentan from Ligand Pharmaceuticals, Inc. and Bristol-Myers Squibb Company (who referred to it as DARA). We are developing sparsentan as a treatment for FSGS, which is a leading cause of end-stage renal disease and Nephrotic Syndrome (“NS”). There are no FDA approved pharmacological treatments for FSGS and the off-label armamentarium is limited to ACE/ARBs, steroids, and immunosuppressant agents, which are effective in only a subset of patients. We estimate that there are at least 40,000 FSGS patients in the United States. We have completed enrollment for our DUET Phase 2 clinical study of sparsentan for the treatment of FSGS and we anticipate having a top line data read out in the third quarter of 2016. Depending on the robustness of the data obtained in the DUET study, we may be able to support an application for accelerated approval for sparsentan on the basis of proteinuria as a surrogate endpoint. Sparsentan was granted orphan drug designation in the U.S. and E.U. in January and November 2015, respectively.

RE-024

We are developing RE-024, a novel small molecule, as a potential treatment for PKAN. PKAN is a genetic neurodegenerative disorder that is typically diagnosed in the first decade of life. Consequences of PKAN include dystonia, dysarthria, rigidity, retinal degeneration, and severe digestive problems. PKAN is estimated to affect 1 to 3 persons per million. There are currently no viable treatment options for patients with PKAN. RE-024 is a phosphopantothenate replacement therapy that aims to restore levels of this key substrate in PKAN patients. Certain international health regulators have approved the initiation of dosing RE-024 in PKAN patients under physician-initiated studies in accordance with local regulations in their respective countries. The Company filed a U.S. IND for RE-024 with the FDA in the first quarter of 2015 to support the commencement of a Company-sponsored Phase 1 study, which was successfully completed during 2015. The FDA granted RE-024 orphan drug designation in May 2015 and fast track designation by the FDA in June 2015. On February 24, 2016, we announced RE-024 was granted orphan drug designation from the European Commission. The Company continues discussion with the FDA and the EMA regarding the initiation of a potential registration-enabling efficacy trial in PKAN patients.

L-UDCA

Liquid ursodeoxycholic acid is a liquid formulation of ursodeoxycholic acid being developed for the treatment of a rare liver disease called PBC. The Company expects to file a New Drug Application with the FDA in 2017, and if approved, plans to make L-UDCA commercially available to the subset of PBC patients who have difficulty swallowing. There are no liquid formulations of ursodeoxycholic acid currently approved by the FDA.

RE-034

RE-034 is a synthetic hormone analog of the first 24 amino acids of the 39 amino acids contained in adrenocorticotropic hormone ("ACTH") incorporated into a novel formulation developed by the Company. RE-034 exhibits similar physiological actions as endogenous ACTH by binding to all five melanocortin receptors (pan-MCR), resulting in its anti-inflammatory and immunomodulatory effects. Retrophin has successfully

manufactured RE-034 at proof-of-concept scale using a novel formulation process that allows modulation of the release of the active ingredient from the site of administration. The Company is exploring strategic options for development of RE-034, including the evaluation of external partnership and out-licensing opportunities.

Preclinical:

NGLY1

The Company entered into a research collaboration with the Grace Science Foundation and the Warren Family Research Center for Drug Discovery and Development at the University of Notre Dame for the development of a novel therapeutic for patients with NGLY1 deficiency, a rare genetic disorder. NGLY1 deficiency is believed to be caused by a deficiency in an enzyme called N-glycanase-1, which is encoded by the gene NGLY1. The condition is characterized by a variety of symptoms, including global developmental delay, movement disorder, seizures, and ocular abnormalities. Under this collaboration, the Grace Science Foundation will provide support and funding to Retrophin to enable discovery efforts that aim to validate and address a new molecular target that may be relevant to NGLY1 deficiency. The Warren Family Research Center for Drug Discovery and Development at the University of Notre Dame will provide funding and in-kind research support to help Retrophin advance this program.

Results of Operations

Results of operations for the three and six month periods ended June 30, 2016 compared to the three and six month periods ended June 30, 2015 .

Net Product Sales:

The following table provides information regarding net product sales (*in thousands*):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	Increase	2016	2015	Increase
Net product sales	$ 33,311	$ 24,068	$ 9,243	$ 62,319	$ 41,440	$ 20,879

The increase in sales for the three and six months ended June 30, 2016 over the prior year is due to increased patient counts for Chenodal and Thiola, and our acquisition of Cholbam on March 31, 2015.

Operating Expenses:

The following table provides information regarding operating expenses (*in thousands*):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	Increase	2016	2015	Increase
Cost of goods sold	$ 1,021	$ 637	$ 384	$ 1,778	$ 912	$ 866
Research and development	17,675	10,563	7,112	32,347	20,910	11,437
Selling, general and administrative	23,205	19,692	3,513	42,330	34,547	7,783
Change in valuation of contingent consideration	2,789	120	2,669	5,485	120	5,365
	$ 44,690	$ 31,012	$ 13,678	$ 81,940	$ 56,489	$ 25,451

Research and development expenses

We make significant investments in research and development in support of our development programs. Research and development costs are expensed as incurred and primarily include salary and benefit costs, fees paid to clinical research organizations, and supply costs.

The increase in research and development costs of $7.1 million for the three months ended June 30, 2016 as compared to the three months ended June 30, 2015 is primarily due to support of on-going efforts for Sparsentan, RE-024 and preclinical activities of $5.0 million, shared-based compensation expense of $1.0 million and other increases due to the advancement and ramp up of clinical and preclinical research of $1.1 million.

The increase in research and development costs of $11.4 million for the six months ended June 30, 2016 as compared to the six months ended June 30, 2015 is due to support of on-going efforts for Sparsentan, RE-024 and preclinical activities $8.2 million, salaries and share-based compensation expense of $1.5 million, and other increases due to the advancement and ramp up of clinical and preclinical research of $1.7 million.

Selling, general and administrative expenses

Selling, general and administrative expenses primarily include salary and benefit costs for employees included in our sales, marketing, finance, information technology, legal and administrative organizations, outside legal and professional services, amortization and facilities costs.

The increase in selling, general and administrative expenses of $3.5 million for the three months ended June 30, 2016 as compared to the three months ended 2015 , is primarily due to an increase in personnel and compensation costs of $1.9 million, sales and marketing commercial programs of $1.4 million, and growth in foreign operations of $0.7 million, offset by lower legal fees in the current year of $0.5 million. These increased expenses are a result of the planned build out of the Company's sales force and sales support services.

The increase in selling, general and administrative expenses of $7.8 million for the six months ended June 30, 2016 as compared to the six months ended 2015 , is primarily due to an increase in personnel and compensation of $4.8 million as a result of the planned build out of the Company's sales force and sales support services, amortization expense increase of $2.3 million from the acquisition of the Cholbam, sales and marketing support and promotional materials of $2.5 million, increases from growth in foreign operations of $1.2 million, offset by the settlement of an open account payable with our former outside legal counsel of $3.0 million.

Change in the valuation of contingent consideration

During the three and six month periods ended June 30, 2016 , the Company incurred charges of $2.8 million and $5.5 million , respectively, in operating expenses on the Condensed Consolidated Statement of Operations and Comprehensive Income (Loss). For the three month period ended June 30, 2016, $1.5 million and $1.3 million is related to the increase in contingent consideration liabilities for the products Chenodal and Cholbam, respectively. For the six month period ended June 30, 2016, $2.9 million and $2.6 million is related to the increase in contingent consideration liabilities for the products Chenodal and Cholbam, respectively. The value increased due to changes in the estimated timing of payments. During the three and six month periods ended June 30, 2015 , the Company incurred charges of $0.1 million and $0.1 million, respectively, shown in operating expenses on the Condensed Consolidated Statement of Operations and Comprehensive Income (Loss).

Other Income/Expenses:

The following table provides information regarding other income (loss), net (*in thousands*):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2016	2015	Increase (decrease)	2016	2015	Increase (decrease)
Other income, net	$ (206)	$ 522	$ (728)	$ 4	$ 349	$ (345)
Interest expense, net	(147)	(2,922)	2,775	(309)	(6,720)	6,411
Finance expense	—	—	—	—	(600)	600
Change in fair value of derivative instruments	(9,063)	(29,418)	20,355	5,277	(66,171)	71,448
Loss on extinguishment of debt	—	(2,250)	2,250	—	(2,250)	2,250
Litigation settlement gain	—	15,500	(15,500)	—	15,500	(15,500)
Bargain purchase gain	—	—	—	—	49,063	(49,063)
	$ (9,416)	$ (18,568)	$ 9,152	$ 4,972	$ (10,829)	$ 15,801

Interest expense, net

Interest expense, net, decreased by $2.8 million for the three months ended June 30, 2016 as compared to the three months ended June 30, 2015. This decrease was due primarily to a reduction of interest expense of $1.4 million on the credit facility (extinguished in the third quarter of 2015) and lower amortization of debt discount of $0.3 million. The remaining change was due to increased interest income, of which $0.6 million related to interest on notes receivable and $0.5 million related to interest on investments.

Interest expense, net, decreased by $6.4 million for the six months ended June 30, 2016 as compared to the six months ended June 30, 2015 due to a reduction of interest expense of $2.7 million on the credit facility (extinguished in the third quarter of 2015), $1.1 million related to warrants issued for remediation of debt covenant violations (warrants issued in the first quarter of 2015), lower amortization of debt discount of $0.6 million, and increased interest income in the six months ended June 30, 2016, of which $1.3 million related to interest on notes receivable and $0.7 million related to interest on investments.

Change in fair value of derivative instruments

For the three and six months ended June 30, 2016 , the company recognized a loss of $9.1 million and a gain of $5.3 million , respectively. For the three months ended June 30, 2016, the loss resulted from an increase of the stock price during the reporting period. For the six months ended June 30, 2016, the gain resulted from a decrease in the stock price during the reporting period.

For the three and six months ended June 30, 2015 , the company recognized a loss of $29.4 million and $66.2 million, respectively, due to an increase in the derivative liability related to warrants, resulting from an increase in the Company's stock price.

Bargain Purchase Gain

For the six months ended June 30, 2015 , the Company recognized a bargain purchase gain on the acquisition of Cholbam.

Income Tax Benefit:

In the second quarter of 2016, the Company recorded total tax benefit of $7.4 million , primarily relating to the utilization of United States federal orphan drug and research and development tax credits.

Liquidity and Capital Resources

We believe that our available cash and short-term investments as of the date of this filing will be sufficient to fund our anticipated level of operations for at least the next 12 months. Management believes that our operating results will vary from quarter to quarter and year to year depending upon various factors including revenues, general and administrative expenses, and research and development expenses.

The Company had the following financial performance at June 30, 2016 and December 31, 2015 (*in thousands*):

	June 30, 2016	December 31, 2015
Cash & Cash Equivalents	$ 21,155	$ 37,805
Marketable securities	200,359	191,799
Accumulated Deficit	(67,340)	(65,153)
Stockholders' Equity	314,372	299,971
Net Working Capital	$ 220,089	$ 214,951
Net Working Capital Ratio	3.75	3.47

Convertible Notes Payable

On May 29, 2014, the Company entered into a Note Purchase Agreement relating to a private placement by the Company of $46.0 million aggregate principal senior convertible notes due in 2019 which are convertible into shares of the Company’s common stock at an initial conversion price of $17.41 per share. The conversion price is subject to customary anti-dilution protection. The Notes bear interest at a rate of 4.5% per annum, payable semiannually in arrears on May 15 and November 15 of each year. The Notes mature on May 30, 2019 unless earlier converted or repurchased in accordance with the terms. The aggregate carrying value of the Notes was $44.1 million and $43.8 million , at June 30, 2016 and December 31, 2015 , respectively.

Cash Flows from Operating Activities

Cash provided by operating activities was $0.4 million for the six months ended June 30, 2016 compared to $1.4 million provided in the six months ended June 30, 2015 . After disregarding non-cash changes such as derivative liability fluctuations, share based compensation, bargain purchase gain adjustments, and deferred tax asset reserves, the decrease of $1.0 million was primarily due to increases in operating expenses offset by increases in revenue.

Cash Flows from Investing Activities

Cash used in investing activities for the six months ended June 30, 2016 was $14.0 million compared to $32.4 million used for the six months ended June 30, 2015 . The decrease of $18.4 million was partially attributable to cash used of $33.4 million in the purchase of Cholbam in 2015, offset by cash used to purchase marketable securities (net of marketable security maturities) of $8.6 million in 2016, and cash provided by the divestiture of assets of $3.3 million in 2015 .

Cash Flows from Financing Activities

For the six months ended June 30, 2016 , cash used by financing activities was $2.8 million compared to $140.5 million provided during the six months ended June 30, 2015 . In 2015, cash of $140 million, net of fees, was provided from the Company's follow-on public offering.

Funding Requirements

We believe that our available cash and short-term investments as of the date of this filing will be sufficient to fund our anticipated level of operations for at least the next 12 months. This belief is based on many factors, however some factors are beyond our control. Factors that may affect financing requirements include, but are not limited to:

- revenue growth of our marketed products;
- the rate of progress and cost of our clinical trials, preclinical studies and other discovery and research and development activities;
- the timing of, and costs involved in, seeking and obtaining marketing approvals for our products, and in maintaining quality systems standards for our products;
- our ability to manufacture sufficient quantities of our products to meet expected demand;
- the costs of preparing, filing, prosecuting, maintaining and enforcing any patent claims and other intellectual property rights, litigation costs and the results of litigation;
- our ability to enter into collaboration, licensing or distribution arrangements and the terms and timing of these arrangements;
- the potential need to expand our business, resulting in additional payroll and other overhead expenses;
- the potential acquisition or in-licensing of other products or technologies; and
- the emergence of competing technologies or other adverse market or technological developments.

Future capital requirements will also depend on the extent to which we acquire or invest in additional complementary businesses, products and technologies.

Other Matters

Adoption of New Accounting Standards

See Note 3 to our unaudited Condensed Consolidated Financial Statements in this report for a discussion of adoption of new accounting standards.

Recently Issued Accounting Pronouncements

See Note 3 to our unaudited Condensed Consolidated Financial Statements in this report for a discussion of recently issued accounting pronouncements.

Off Balance Sheet Arrangements

None.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We invest our excess cash and marketable securities primarily in United States government backed securities, asset-backed securities, and debt instruments of financial institutions and corporations with investment-grade credit ratings. These instruments have various short and long-term maturities, not exceeding two years. We do not utilize derivative financial instruments, derivative commodity instruments, or other market risk sensitive instruments, positions or transactions. Accordingly, we believe that, while the instruments held are subject to changes in the financial standing of the issuer of such securities, we are not subject to any material risks arising from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices or other market changes that affect market risk sensitive investments. A hypothetical 1% adverse move in interest rates along the entire interest rate yield curve would decrease our available for sale marketable securities by approximately $2.0 million if the Company were to sell the securities.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports required by the Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the timelines specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

An evaluation was also performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of any change to our internal control over financial reporting that occurred during the quarter covered by this report and that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Our evaluation did not identify significant changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that occurred during the quarter ended June 30, 2016 , that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this Item is incorporated herein by reference to Notes to unaudited Condensed Consolidated Financial Statements--Note 13 Commitments and Contingencies: Legal Proceedings in Part I, Item 1, of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

The following risk factors do not reflect any material changes to the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 , other than the revisions to the risk factors set forth below with an asterisk (*) next to the title. The following information sets

forth risk factors that could cause our actual results to differ materially from those contained in forward-looking statements we have made in this Quarterly Report on Form 10-Q and those we may make from time to time. If any of the following risks actually occur, our business, operating results, prospects or financial condition could be harmed. Additional risks not presently known to us, or that we currently deem immaterial, may also affect our business operations.

Risks Related to the Commercialization of Our Products

The commercial success of Chenodal, Cholbam and Thiola depends on them being considered to be effective drugs with advantages over other therapies.

The commercial success of our products Chenodal, Cholbam and Thiola depends on them being considered to be effective drugs with certain advantages over other therapies. A number of factors, as discussed in greater detail below, may adversely impact the degree of acceptance of these products, including their efficacy, safety, price and benefits over competing therapies, as well as the reimbursement policies of third-party payers, such as government and private insurance plans.

If unexpected adverse events are reported in connection with the use of any of these products, physician and patient acceptance of the product could deteriorate and the commercial success of such product could be adversely affected. We are required to report to the FDA events associated with our products relating to death or injury. Adverse events could result in additional regulatory controls, such as a requirement for costly post-approval clinical studies or revisions to our approved labeling which could limit the indications or patient population for a product or could even lead to the withdrawal of a product from the market.

If physicians, patients and third-party payers do not accept our products, we may be unable to generate significant revenues.

Our drugs may not gain or maintain market acceptance among physicians and patients. Effectively marketing our products and any of our drug candidates, if approved, requires substantial efforts, both prior to launch and after approval. Physicians may elect not to prescribe our drugs, and patients may elect not to request or take them, for a variety of reasons including:

- lower demonstrated efficacy, safety and/or tolerability compared to other drugs;
- prevalence and severity of adverse side-effects;
- lack of cost-effectiveness;
- lack of coverage and adequate reimbursement availability from third-party payers;
- a decision to wait for the approval of other therapies in development that have significant perceived advantages over our drug;
- convenience and ease of administration;
- other potential advantages of alternative treatment methods; and
- ineffective marketing and/or distribution support.

If our drugs fail to achieve or maintain market acceptance, we will not be able to generate significant revenues.

***Changes in reimbursement practices of third-party payers could affect the demand for our products and the prices at which they are sold.**

The business and financial condition of healthcare-related businesses will continue to be affected by efforts of governments and third-party payers to contain or reduce the cost of healthcare through various means. In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval for sparsentan, RE-024 and L-UDCA, or any other product candidate that we develop, restrict or regulate post-approval activities and affect our ability to profitably sell sparsentan, RE-024 and L-UDCA or any other product candidate for which we obtain marketing approval.

Our products are sold to patients whose healthcare costs are met by third-party payers, such as government programs, private insurance plans and managed-care programs. These third-party payers are increasingly attempting to contain healthcare costs by limiting both coverage and the level of reimbursement for medical products and services. Levels of reimbursement, if any, may be decreased in the future, and future healthcare reform legislation, regulations or changes to reimbursement policies of third party payers may otherwise adversely affect the demand for and price levels of our products, which could have a material adverse effect on our sales and profitability.

Economic, social, and congressional pressure may result in individuals and government entities increasingly seeking to achieve cost savings through mechanisms that limit coverage or payment for our products. For example, state Medicaid programs are increasingly requesting manufacturers to pay supplemental rebates and requiring prior authorization for use of drugs. Managed care organizations continue to seek price discounts and, in some cases, to impose restrictions on the coverage of particular drugs. Government efforts to reduce Medicaid expenses may lead to increased use of managed care organizations by Medicaid programs. This may result in managed care organizations influencing prescription decisions for a larger segment of the population and a corresponding constraint on prices and reimbursement for our products.

We may not be able to rely on orphan drug exclusivity for Cholbam/Kolbam or any of our products.

Regulatory authorities in some jurisdictions, including the United States and Europe, may designate drugs for relatively small patient populations as orphan drugs. We have obtained orphan designation for Cholbam/Kolbam in the U.S. and EU. Generally, if a product with an orphan drug designation

subsequently receives the first marketing approval for the indication for which it has such designation, that product is entitled to a period of marketing exclusivity, which precludes the applicable regulatory authority from approving another marketing application for the same drug for the same indication for that time period. The applicable period is seven years in the United States and ten years in Europe. Even though we have been awarded orphan drug exclusivity for Cholbam in the United States, we may not be able to maintain it. For example, if a competitive product that contains the same active moiety and treats the same disease as our product is shown to be clinically superior to our product, any orphan drug exclusivity we have obtained will not block the approval of such competitive product and we may effectively lose orphan drug exclusivity. Similarly, if a competitive product that contains the same active moiety and treats the same disease as our product candidate is approved for orphan drug exclusivity before our product candidate, we may not be able to obtain approval for our product candidate until the expiration of the competitive product's orphan drug exclusivity unless our product candidate is shown to be clinically superior to the competitive product.

Additional competitors could enter the market, including with generic versions of our products, and sales of our affected products may decline materially.

Under the Hatch-Waxman Amendments of the Federal Food, Drug, and Cosmetic Act (the "FDC Act"), a pharmaceutical manufacturer may file an abbreviated new drug application ("ANDA"), seeking approval of a generic copy of an approved innovator product or an NDA under Section 505(b)(2) that relies on the FDA's prior findings of safety and effectiveness in approving the innovator product. A Section 505(b)(2) NDA may be for a new or improved version of the original innovator product. The Hatch-Waxman Amendments also provide for certain periods of regulatory exclusivity, which preclude FDA approval (or in some circumstances, FDA acceptance) of an ANDA or Section 505(b)(2) NDA. In addition, the FDC Act provides, subject to certain exceptions, a period during which an FDA-approved drug may be afforded orphan drug exclusivity. In addition to the benefits of regulatory exclusivity, an innovator NDA holder may have patents claiming the active ingredient, product formulation or an approved use of the drug, which would be listed with the product in the FDA publication, "Approved Drug Products with Therapeutic Equivalence Evaluations," known as the "Orange Book." If there are patents listed in the Orange Book, a generic or Section 505(b)(2) applicant that seeks to market its product before expiration of the patents must include in the ANDA what is known as a "Paragraph IV certification," challenging the validity or enforceability of, or claiming non-infringement of, the listed patent or patents. Notice of the certification must be given to the innovator, too, and if within 45 days of receiving notice the innovator sues to enforce its patents, approval of the ANDA is stayed for 30 months, or as lengthened or shortened by the court.

Chenodal and Thiola are subject to immediate competition from compounded and generic entrants, as the ANDA and NDA for these drug products have no remaining patent or nonpatent exclusivity. If a generic version is approved, sales of our product would be negatively impacted, which could have a material adverse impact on our sales and profitability.

We are dependent on third parties to manufacture and distribute our pharmaceutical products who may not fulfill their obligations.

We have no manufacturing capabilities and rely on third party manufacturers who are sole source suppliers for manufacturing of Chenodal Thiola, and Cholbam. The facilities used by our third party manufacturers must be approved by the FDA, or in the case of Kolbam in the European Union, the European Medicines Agency. Our dependence on third parties for the manufacture of our products may harm our profit margin on the sale of products and our ability to deliver products on a timely and competitive basis. If our third party manufacturers are unable to manufacture to specifications or in compliance with applicable regulatory requirements, our ability to commercialize our products will be adversely impacted and could affect our ability to gain market acceptance for our products and negatively impact our revenues.

We currently have no in-house distribution channels for Chenodal, Thiola or Cholbam and we are dependent on a third-party distributor, Dohmen Life Sciences Services, to distribute such products. We rely on this distributor for all of our proceeds from sales of Chenodal, Thiola and Cholbam in the United States. The outsourcing of our distribution function is complex, and we may experience difficulties that could reduce, delay or stop shipments of such products. If we encounter such distribution problems, and we are unable to quickly enter into a similar agreement with another distributor on substantially similar terms, distribution of Chenodal, Thiola and/or Cholbam could become disrupted, resulting in lost revenues, provider dissatisfaction, and/or patient dissatisfaction.

Governments outside the United States tend to impose strict price controls and reimbursement approval policies, which may adversely affect our prospects for generating revenue.

In some countries, particularly European Union countries, the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time (6 to 12 months or longer) after the receipt of marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost effectiveness of our product candidate to other available therapies. If reimbursement of our products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our prospects for generating revenue, if any, could be adversely affected and our business may suffer.

If we are unable to establish sales and marketing capabilities or enter into agreements with third parties to market and sell our product candidates, we may be unable to generate product revenue.

Risks Related to the Development of our Product Candidates

***Our clinical trials may fail to demonstrate the safety and efficacy of our product candidates which could prevent or significantly delay their regulatory approval.**

Our efforts to develop certain of our product candidates are at an early stage. Success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful, and initial results from a clinical trial do not necessarily predict final results. We cannot assure that any future clinical trials of sparsentan, RE-024 and/or L-UDCA will ultimately be successful.

Before obtaining regulatory approval to conduct clinical trials of our product candidates, we must conduct extensive preclinical tests to demonstrate the safety of our product candidates in animals. Preclinical testing is expensive, difficult to design and implement, and can take many years to complete. A failure of one or more of our preclinical studies can occur at any stage of testing.

We will only obtain regulatory approval to commercialize a product candidate if we can demonstrate to the satisfaction of the FDA, and in the case of foreign commercialization, to the applicable foreign regulatory authorities, in well-designed and conducted clinical trials, that our product candidates are safe and effective and otherwise meet the appropriate standards required for approval for a particular indication.

There can be no assurance that the DUET Phase 2 clinical study for sparsentan will meet its primary endpoint or that the data will support an application for accelerated approval by the FDA or that the FDA will accept a proteinuria endpoint. Likewise, there can be no assurance that any future clinical study for RE-024 will demonstrate that RE-024 is safe and effective for treating PKAN or that the data obtained from any such clinical trials will support an application for accelerated approval by the FDA.

Clinical trials can be lengthy, complex and extremely expensive processes with uncertain results. Our product candidates are intended to treat FSGS and PKAN, each of which is a rare disease. Given that these development candidates are in the early stages of required testing, we may not be able to initiate or continue clinical trials if we are unable to locate a sufficient number of eligible patients willing and able to participate in the clinical trials required by the FDA or foreign regulatory agencies. Our inability to enroll a sufficient number of patients for any of our current or future clinical trials would result in significant delays or may require us to abandon one or more clinical trials altogether. To date, we are not aware of any pharmaceutical product to treat PKAN or FSGS that has been approved by the FDA or EMA specifically for the treatment of these indications. As a result, we cannot be sure what endpoints the FDA and/or EMA will require us to measure in later-stage clinical trials of our product candidates.

We may experience numerous unforeseen events during, or as a result of, preclinical testing and the clinical trial process that could delay or prevent our ability to obtain regulatory approval or commercialize our product candidates, including:

- our preclinical tests or clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional preclinical testing or clinical trials or we may abandon projects that we expect to be promising;
- regulators may require us to conduct studies of the long-term effects associated with the use of our product candidates;
- regulators or institutional review boards may not authorize us to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- the FDA or any non-United States regulatory authority may impose conditions on us regarding the scope or design of our clinical trials or may require us to resubmit our clinical trial protocols to institutional review boards for re-inspection due to changes in the regulatory environment;
- the number of patients required for our clinical trials may be larger than we anticipate or participants may drop out of our clinical trials at a higher rate than we anticipate;
- our third-party contractors or clinical investigators may fail to comply with regulatory requirements or fail to meet their contractual obligations to us in a timely manner;
- we might have to suspend or terminate one or more of our clinical trials if we, regulators or institutional review boards determine that the participants are being exposed to unacceptable health risks;
- regulators or institutional review boards may require that we hold, suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements;
- the cost of our clinical trials may be greater than we anticipate;
- the supply or quality of our product candidates or other materials necessary to conduct our clinical trials may be insufficient or inadequate or we may not be able to reach agreements on acceptable terms with prospective clinical research organizations; and
- the effects of our product candidates may not be the desired effects or may include undesirable side effects or the product candidates may have other unexpected characteristics.

If we are required to conduct additional clinical trials or other testing of our product candidates beyond those that we currently contemplate, if we are unable to successfully complete our clinical trials or other testing, if the results of these trials or tests are not positive or are only modestly positive or if there are safety concerns, we may:

- be delayed in obtaining, or may not be able to obtain, marketing approval for one or more of our product candidates;
- obtain approval for indications that are not as broad as intended or entirely different than those indications for which we sought approval; and
- have the product removed from the market after obtaining marketing approval.

Our product development costs will also increase if we experience delays in testing or approvals. We do not know whether any preclinical tests or clinical trials will be initiated as planned, will need to be restructured or will be completed on schedule, if at all. Significant preclinical or clinical trial delays also could shorten the patent protection period during which we may have the exclusive right to commercialize our product candidates. Such delays could allow our competitors to bring products to market before we do and impair our ability to commercialize our products or product candidates.

In addition, we depend on independent clinical investigators and contract research organizations ("CROs") to conduct our clinical trials under agreements with us. The CROs play a significant role in the conduct of our clinical trials. Failure of the CROs to meet their obligations could adversely affect clinical development of our product candidates. The independent clinical investigators are not our employees and we cannot control the timing or amount of resources they devote to our studies. If their performance is substandard, it could delay or prevent approval of our FDA applications.

FDA approval for a product requires substantial or extensive preclinical and clinical data and supporting documentation. The approval process may take years and may involve on-going requirements as well as post marketing obligations. For example, we have certain postmarketing requirements and commitments associated with Cholbam. FDA approval once obtained, may be withdrawn. If the regulatory approval for Thiola, Chenodal and/or Cholbam are withdrawn for any reason, it would have a material adverse impact on our sales and profitability. Further, we face risks relating to the postmarking obligations and commercial acceptance of Cholbam, which was approved by the FDA on March 17, 2015.

***We face substantial risks related to the commercialization of our product candidates.**

We have invested a significant portion of our efforts and financial resources in the development and acquisition of our most advanced product candidates, sparsentan, RE-024 and L-UDCA. Our ability to generate product revenue from these development stage compounds, which we do not expect will occur for at least the next several years, if ever, may depend heavily on the successful development and commercialization of these product candidates. The successful commercialization of our future product candidates will depend on several factors, including the following:

- obtaining supplies of sparsentan, RE-024 and subsequent product candidates for completion of our clinical trials on a timely basis;
- successful completion of pre-clinical and clinical studies;
- obtaining marketing approvals from the FDA and similar regulatory authorities outside the United States;
- establishing commercial-scale manufacturing arrangements with third-party manufacturers whose manufacturing facilities are operated in compliance with cGMP regulations;
- launching commercial sales of the product, whether alone or in collaboration with others;
- acceptance of the product by patients, the medical community and third-party payers;
- reimbursement from medical, medicaid or private payers;
- competition from other companies;
- successful protection of our intellectual property rights from competing products in the United States and abroad; and
- a continued acceptable safety and efficacy profile of our product candidates following approval.

Our product candidates may cause undesirable side effects or have other properties that could delay or prevent their regulatory approval or commercialization.

Undesirable side effects caused by our product candidates could interrupt, delay or halt clinical trials and could result in the denial of regulatory approval by the FDA or other regulatory authorities for any or all targeted indications, and in turn prevent us from commercializing our product candidates and generating revenues from their sale.

In addition, if any of our product candidates receive marketing approval and we or others later identify undesirable side effects caused by the product:

- regulatory authorities may require the addition of restrictive labeling statements;
- regulatory authorities may withdraw their approval of the product; and
- we may be required to change the way the product is administered or conduct additional clinical trials.

Any of these events could prevent us from achieving or maintaining market acceptance of the affected product or could substantially increase the costs and expenses of commercializing the product candidate, which in turn could delay or prevent us from generating significant revenues from its sale or adversely affect our reputation.

***We may not be able to obtain orphan drug exclusivity for our product candidates. If our competitors are able to obtain orphan drug exclusivity for their products that are the same drug as our product candidates, we may not be able to have competing products approved by the applicable regulatory authority for a significant period of time.**

Regulatory authorities in some jurisdictions, including the United States and Europe, may designate drugs for relatively small patient populations as orphan drugs. Although we have obtained orphan designation for sparsentan and RE-024, and expect to seek orphan drug designations from the FDA for RE-034, there can be no assurance that there will be any benefits associated with such designation, or that the FDA will grant orphan status. There can be no assurance that we will successfully obtain such designations. If we are unable to secure orphan status in either Europe or the United States it may have a material negative effect on our share price.

Generally, if a product with an orphan drug designation subsequently receives the first marketing approval for the indication for which it has such designation, that product is entitled to a period of marketing exclusivity, which precludes the applicable regulatory authority from approving another marketing application for the same drug for the same indication for that time period. The applicable period is seven years in the United States and ten

years in Europe. Obtaining orphan drug exclusivity for sparsentan and RE-024 may be important to the product candidate's success. Even if we obtain orphan drug exclusivity, we may not be able to maintain it. For example, if a competitive product that contains the same active moiety and treats the same disease as our product candidate is shown to be clinically superior to our product candidate, any orphan drug exclusivity we have obtained will not block the approval of such competitive product and we may effectively lose what had previously been orphan drug exclusivity. Similarly, if a competitive product that contains the same active moiety and treats the same disease as our product candidate is approved before our product candidate is approved, we may not be able to obtain approval for our product candidate until the expiration of the competitive product's orphan drug exclusivity unless our product candidate is shown to be clinically superior to the competitive product.

Risks Related to our Products and Product Candidates

***Our products may not achieve or maintain expected levels of market acceptance or commercial success.**

The success of our products is dependent upon achieving and maintaining market acceptance. Commercializing products is time consuming, expensive and unpredictable. There can be no assurance that we will be able to, either by ourselves or in collaboration with our partners or through our licensees, successfully commercialize new products or current products or gain market acceptance for such products. New product candidates that appear promising in development may fail to reach the market or may have only limited or no commercial success.

Further, the discovery of significant problems with a product similar to one of our products that implicate (or are perceived to implicate) an entire class of products could have an adverse effect on sales of the affected products. Accordingly, new data about our products, or products similar to our products, could negatively impact demand for our products due to real or perceived side effects or uncertainty regarding efficacy and, in some cases, could result in product withdrawal.

Our current products and any products that we bring to the market, including sparsentan, RE-024 and L-UDCA if they receive marketing approval-may not gain market acceptance by physicians, patients, third-party payers, and others in the medical community. If these products do not achieve an adequate level of acceptance, we may not generate significant product revenue and we may not become profitable. The degree of market acceptance of our product candidates, if approved for commercial sale, will depend on a number of factors, including:

- the prevalence and severity of any side effects, including any limitations or warnings contained in a product's approved labeling;
- the efficacy and potential advantages over alternative treatments;
- the pricing of our product candidates;
- relative convenience and ease of administration;
- the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
- the strength of marketing and distribution support and timing of market introduction of competitive products;
- publicity concerning our products or competing products and treatments; and
- sufficient third-party insurance coverage or reimbursement.

Even if a potential or current product displays a favorable efficacy and safety profile in preclinical and clinical trials, market acceptance of the product will not be known until after it is launched. Our efforts to educate patients, the medical community, and third-party payers on the benefits of our product may require significant resources and may never be successful. Such efforts to educate the marketplace may require more resources than are required by the conventional technologies marketed by our competitors.

***If the market opportunities for our products and product candidates are smaller than we believe they are, our revenues may be adversely affected and our business may suffer.**

Certain of the diseases that our current and future product candidates are being developed to address, such as FSGS and PKAN, are relatively rare. Our projections of both the number of people who have these diseases, as well as the subset of people with these diseases who have the potential to benefit from treatment with our product candidates, may not be accurate.

Currently, most reported estimates of the prevalence of FSGS and PKAN are based on studies of small subsets of the population of specific geographic areas, which are then extrapolated to estimate the prevalence of the diseases in the broader world population. As new studies are performed the estimated prevalence of these diseases may change. There can be no assurance that the prevalence of FSGS and PKAN in the study populations accurately reflect the prevalence of these diseases in the broader world population. If our estimates of the prevalence of FSGS or PKAN or of the number of patients who may benefit from treatment with sparsentan and RE-024 prove to be incorrect, the market opportunities for our product candidates may be smaller than we believe they are, our prospects for generating revenue may be adversely affected and our business may suffer.

We do not currently have patent protection for certain of our products and product candidates. If we are unable to obtain and maintain protection for the intellectual property relating to our technology and products, the value of our technology and products will be adversely affected.

Our success will depend in large part on our ability to obtain and maintain protection in the United States and other countries for the intellectual property covering, or incorporated into, our technology and products. The patent situation in the field of biotechnology and pharmaceuticals generally is highly uncertain and involves complex legal, technical, scientific and factual questions. We may not be able to obtain additional issued patents relating to our technology or products. Even if issued, patents issued to us or our licensors may be challenged, narrowed, invalidated, held to be unenforceable or

circumvented, which could limit our ability to stop competitors from marketing similar products or reduce the term of patent protection we may have for our products. Changes in either patent laws or in interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property or narrow the scope of our patent protection. RE-024 is covered by our U.S. Patent No. 8,673,883, which was granted in 2014 and expires in 2033. In addition, our U.S. Patent No. 9,181,286, which was granted on November 10, 2015 and expires in 2033, covers the use of RE-024 for the treatment of PKAN. Sparsentan is covered by U.S. Patent No. 6,638,937, which expires in 2019 and to which we have an exclusive license. Our RE-034 formulation is covered by a PCT patent application we filed in February 2016, which claims priority to a U.S. provisional patent application we filed in February 2015.

For products we develop based on a new chemical entity not previously approved by the FDA, we expect that in addition to the protection afforded by our patent filings that we will be able to obtain either five years regulatory exclusively via the provisions of the FDC Act or seven years regulatory exclusivity via the orphan drug provisions of the FDC Act. In addition, we may be able to obtain up to five years patent term extension (to compensate for regulatory approval delay) for a patent covering such a product.

The degree of future protection for our proprietary rights is uncertain, and we cannot ensure that:

- we or our licensors were the first to make the inventions covered by each of our pending patent applications;
- we or our licensors were the first to file patent applications for these inventions;
- others will not independently develop similar or alternative technologies or duplicate any of our technologies;
- any patents issued to us or our licensors that provide a basis for commercially viable products will provide us with any competitive advantages or will not be challenged by third parties;
- we will develop additional proprietary technologies that are patentable;
- we will file patent applications for new proprietary technologies promptly or at all;
- the claims we make in our patents will be upheld by patent offices in the United States and elsewhere;
- our patents will not expire prior to or shortly after commencing commercialization of a product; and
- the patents of others will not have a negative effect on our ability to do business.

We have negotiated a license agreement with Ligand Pharmaceuticals for the rights to sparsentan which we are initially developing for the treatment of FSGS. Further, this license subjects us to various commercialization, reporting and other obligations. If we were to default on our obligations, we could lose our rights to sparsentan. We cannot be certain when or if we will file for patent protection for different indications for sparsentan, if we would be successful in obtaining these patents, or if we would be able to enforce these patents. If we are unsuccessful in obtaining additional patents covering the use of sparsentan for treating FSGS, we may not be able to stop competitors from marketing sparsentan following the latter of expiration of our sparsentan composition of matter patent (i.e. U.S. Patent No. 6,638,937) and expiration of the regulatory exclusivity afforded to sparsentan upon NDA approval.

Our patents also may not afford us protection against competitors with similar technology. Because patent applications in the United States and many other jurisdictions are typically not published until 18 months after filing, or in some cases not at all, and because publications of discoveries in the scientific literature often lag behind the actual discoveries, neither we nor our licensors can be certain that we or they were the first to make the inventions claimed in our or their issued patents or pending patent applications, or that we or they were the first to file for protection of the inventions set forth in these patent applications. If a third party has also filed a United States patent application prior to the effective date of the relevant provisions of the America Invents Act (i.e. before March 16, 2013) covering our product candidates or a similar invention, we may have to participate in an adversarial proceeding, known as an interference, declared by the USPTO to determine priority of invention in the United States. The costs of these proceedings could be substantial and it is possible that our efforts could be unsuccessful, resulting in a loss of our United States patent position.

We cannot assure you that third parties will not assert patent or other intellectual property infringement claims against us with respect to technologies used in our products. If patent infringement suits were brought against us, we may be unable to commercialize some of our products which could severely harm our business. Litigation proceedings, even if not successful, could result in substantial costs and harm our business.

***We expect to rely on orphan drug status to develop and commercialize certain of our product candidates, but our orphan drug designations may not confer marketing exclusivity or other expected commercial benefits.**

We expect to rely on orphan drug exclusivity for sparsentan, Chenodal and RE-024 and potential future product candidates that we may develop. Orphan drug status confers seven years of marketing exclusivity in the United States under the FDC Act, and up to ten years of marketing exclusivity in Europe for a particular product in a specified indication. The FDA and EMA ha ve granted orphan designation for sparsentan and RE-024 for the enhancement of FSGS and PKAN, respectively . While we have been granted these orphan designations, we will not be able to rely on these designations to exclude other companies from manufacturing or selling biological products using the same principal molecular structural features for the same indication beyond these timeframes. Furthermore, any marketing exclusivity in Europe can be reduced from ten years to six years if the initial designation criteria have significantly changed since the market authorization of the orphan product.

For any product candidate for which we have been granted orphan drug designation in a particular indication, it is possible that another company also holding orphan drug designation for the same product candidate will receive marketing approval for the same indication before we do. If that were to happen, our applications for that indication may not be approved until the competing company's period of exclusivity expires. Even if we are the first to obtain marketing authorization for an orphan drug indication in the United States, there are circumstances under which a competing

product may be approved for the same indication during the seven-year period of marketing exclusivity, such as if the later product is shown to be clinically superior to our orphan product, or if the later product is deemed a different product than ours. Further, the seven-year marketing exclusivity would not prevent competitors from obtaining approval of the same product candidate as ours for indications other than those in which we have been granted orphan drug designation, or for the use of other types of products in the same indications as our orphan product.

Any drugs we develop may become subject to unfavorable pricing regulations, third-party reimbursement practices or healthcare reform initiatives, thereby harming our business.

In March 2010, President Obama signed the Health Care Reform Law, a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for healthcare and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms. The Health Care Reform Law revised the definition of "average manufacturer price" for reporting purposes, which could increase the amount of Medicaid drug rebates to states. Further, the law imposes a significant annual fee on companies that manufacture or import certain branded prescription drug products. It is likely the Health Care Reform Law will continue to put pressure on pharmaceutical pricing, especially under the Medicare program, and may also increase regulatory burdens and operating costs.

If we are unable to obtain coverage and adequate reimbursement from governments or third-party payers for any products that we may develop or if we are unable to obtain acceptable prices for those products, our prospects for generating revenue and achieving profitability will suffer.

Our prospects for generating revenue and achieving profitability will depend heavily upon the availability of coverage and adequate reimbursement for the use of our approved product candidates from governmental and other third-party payers, both in the United States and in other markets. Reimbursement by a third-party payer may depend upon a number of factors, including the third-party payer's determination that use of a product is:

- a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

Obtaining reimbursement approval for a product from each government or other third-party payer is a time consuming and costly process that could require us to provide supporting scientific, clinical and cost effectiveness data for the use of our products to each payer. We may not be able to provide data sufficient to gain acceptance with respect to reimbursement or we might need to conduct post-marketing studies in order to demonstrate the cost-effectiveness of any future products to such payers' satisfaction. Such studies might require us to commit a significant amount of management time and financial and other resources. Even when a payer determines that a product is eligible for reimbursement, the payer may impose coverage limitations that preclude payment for some uses that are approved by the FDA or non-United States regulatory authorities, also prior authorization for a product may be acquired. In addition, there is a risk that full reimbursement may not be available for high-priced products. Moreover, eligibility for coverage does not imply that any product will be reimbursed in all cases or at a rate that allows us to make a profit or even cover our costs. Interim payments for new products, if applicable, may also not be sufficient to cover our costs and may not be made permanent. A primary trend in the United States healthcare industry and elsewhere is toward cost containment. We expect recent changes in the Medicare program and increasing emphasis on managed care to continue to put pressure on pharmaceutical product pricing.

Further, there has been increasing legislative and enforcement interest in the United States with respect to drug pricing practices, including several recent U.S. Congressional inquiries and proposed bills designed to, among other things, increase drug pricing transparency, review relationships between pricing and manufacturer patient assistance programs, and reform government program drug reimbursement methodologies. Any reduction in reimbursement from Medicare, Medicaid or other government-funded programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability or commercialize our drugs. Additionally, we are currently unable to predict what additional legislation or regulation, if any, relating to the healthcare industry may be enacted in the future or what effect recently enacted federal legislation or any such additional legislation or regulation would have on our business.

***We face potential product liability exposure far in excess of our limited insurance coverage.**

The use of any of our potential products in clinical trials, and the sale of any approved products, may expose us to liability claims. These claims might be made directly by consumers, health care providers, pharmaceutical companies or others selling our products. We have obtained limited product liability insurance coverage for our clinical trials in the amount of $10 million per occurrence and $10 million in the aggregate. However, our insurance may not reimburse us or may not be sufficient to reimburse us for any expenses or losses we may suffer. Moreover, insurance coverage is becoming increasingly expensive, and we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses due to liability. We intend to expand our insurance coverage to include the sale of commercial products if we obtain marketing approval for product candidates in development, but we may be unable to obtain commercially reasonable product liability insurance for any products approved for marketing. On occasion, juries have awarded large judgments in class action lawsuits based on drugs that had unanticipated side effects. A successful product liability claim or series of claims brought against us would decrease our cash reserves and could cause our stock price to fall.

***We face substantial competition, which may result in others discovering, developing or commercializing products before or more successfully than we do. Our operating results will suffer if we fail to compete effectively.**

Several of our competitors have substantially greater financial, research and development, distribution, manufacturing and marketing experience and resources than we do and represent substantial long-term competition for us. Other companies may succeed in developing and marketing products that are more effective and/or less costly than any products that may be developed and marketed by us, or that are commercially accepted before any of our products. Factors affecting competition in the pharmaceutical and drug industries vary, depending on the extent to which a competitor is able to achieve a competitive advantage based on its proprietary technology and ability to market and sell drugs. The industry in which we compete is characterized by extensive research and development efforts and rapid technological progress. Although we believe that our orphan drug status for Cholbam and proprietary position with respect to sparsentan, RE-024 and L-UDCA may give us a competitive advantage, new developments are expected to continue and there can be no assurance that discoveries by others will not render such potential products noncompetitive.

Our competitive position also depends on our ability to enter into strategic alliances with one or more large pharmaceutical and contract manufacturing companies, attract and retain qualified personnel, develop effective proprietary products, implement development and marketing plans, obtain patent protection, secure adequate capital resources and successfully sell and market our approved products. There can be no assurance that we will be able to successfully achieve all of the foregoing objectives.

Use of third parties to manufacture and distribute our products and product candidates may increase the risk that we will not have sufficient quantities of our product and product candidates or such quantities at an acceptable cost, and clinical development and commercialization of our product and product candidates could be delayed, prevented or impaired.

We do not own or operate manufacturing facilities for clinical or commercial production of our products. We have limited personnel with experience in drug manufacturing and we lack the resources and the capabilities to manufacture any of our product candidates on a clinical or commercial scale. We outsource all manufacturing and packaging of our preclinical, clinical, and commercial products to third parties. The manufacture of pharmaceutical products requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Manufacturers of pharmaceutical products often encounter difficulties in production, particularly in scaling up initial production and in maintaining required quality control. These problems include difficulties with production costs and yields and quality control, including stability of the product candidate.

We do not currently have any agreements with third-party manufacturers for the long-term commercial supply of any of our development stage product candidates. We may be unable to enter into agreements for commercial supply with third-party manufacturers, or may be unable to do so on acceptable terms. Even if we enter into these agreements, the manufacturers of each product candidate will be single source suppliers to us for a significant period of time. Reliance on third-party manufacturers entails risks to which we may not be subject if we manufactured our product candidates or products ourselves, including:

- reliance on the third party for regulatory compliance and quality assurance;
- limitations on supply availability resulting from capacity and scheduling constraints of the third parties;
- impact on our reputation in the marketplace if manufacturers of our products fail to meet the demands of our customers;
- the possible breach of the manufacturing agreement by the third party because of factors beyond our control; and
- the possible termination or nonrenewal of the agreement by the third party, based on its own business priorities, at a time that is costly or inconvenient for us.

The failure of any of our contract manufacturers to maintain high manufacturing standards could result in injury or death of clinical trial participants or patients using products. Such failure could also result in product liability claims, product recalls, product seizures or withdrawals, delays or failures in testing or delivery, cost overruns or other problems that could seriously harm our business or profitability.

Our contract manufacturers will be required to adhere to FDA regulations setting forth cGMP. These regulations cover all aspects of the manufacturing, testing, quality control and recordkeeping relating to our product candidates and any products that we may commercialize. Our manufacturers may not be able to comply with cGMP regulations or similar regulatory requirements outside the United States. Our manufacturers are subject to unannounced inspections by the FDA, state regulators and similar regulators outside the United States. Our failure, or the failure of our third-party manufacturers, to comply with applicable regulations could result in sanctions being imposed on us, including fines, injunctions, civil penalties, failure of regulatory authorities to grant marketing approval of our product candidates, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates or products, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect regulatory approval and supplies of our product candidates.

Our product and any products that we may develop may compete with other product candidates and products for access to manufacturing facilities. There are a limited number of manufacturers that operate under cGMP regulations and that are both capable of manufacturing for us and willing to do so. If the third parties that we engage to manufacture products for our developmental or commercial products should cease to continue to do so for any reason, we likely would experience interruptions in cash flows and/or delays in advancing our clinical trials while we identify and qualify replacement suppliers, and we may be unable to obtain replacement supplies on terms that are favorable to us. Later relocation to another manufacturer will also require notification, review and other regulatory approvals from the FDA and other regulators and will subject our production to further cost and instability in the availability of our product candidates. In addition, if we are not able to obtain adequate supplies of our product candidates, or the drug substances used to manufacture them, it will be more difficult for us to sell our products and to develop our product candidates. This could greatly reduce our competiveness.

Our current and anticipated future dependence upon others for the manufacture of our product candidates may adversely affect our future profit margins and our ability to develop product candidates and commercialize any products that obtain regulatory approval on a timely and competitive basis.

Materials necessary to manufacture our products and product candidates may not be available on commercially reasonable terms, or at all, which may delay the development and commercialization of our products and product candidates.

We rely on the manufacturers of our products and product candidates to purchase from third-party suppliers the materials necessary to produce the compounds for our preclinical and clinical studies and rely on these other manufacturers for commercial distribution if we obtain marketing approval for any of our product candidates. Suppliers may not sell these materials to our manufacturers at the time we need them or on commercially reasonable terms and all such prices are susceptible to fluctuations in price and availability due to transportation costs, government regulations, price controls, and changes in economic climate or other foreseen circumstances. We do not have any control over the process or timing of the acquisition of these materials by our manufacturers. Moreover, we currently do not have any agreements for the commercial production of these materials. If our manufacturers are unable to obtain these materials for our preclinical and clinical studies, product testing and potential regulatory approval of our product candidates would be delayed, significantly impacting our ability to develop our product candidates. If our manufacturers or we are unable to purchase these materials after regulatory approval has been obtained for our product candidates, the commercial launch of our product candidates would be delayed or there would be a shortage in supply, which would materially affect our ability to generate revenues from the sale of our product candidates.

Risks Related to Our Business

***Our limited operating history makes it difficult to evaluate our current business and future prospects, and our profitability in the future is uncertain.**

We face the problems, expenses, difficulties, complications and delays, many of which are beyond our control, associated with any business in its early stages and have a limited operating history on which an evaluation of our prospects can be made. Such prospects should be considered in light of the risks, expenses and difficulties frequently encountered in the establishment of a business in a new industry, characterized by a number of market entrants and intense competition, and in the shift from development to commercialization of new products based on innovative technologies.

We have experienced significant growth in the number of our employees and the scope of our operations. We began 2014 with 26 employees and currently have approximately 130 employees, having added sales and marketing, compliance and legal functions in addition to expansion of all functions to support a commercial organization. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited resources, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The physical expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability on the part of our management to manage growth could delay the execution of our business plans or disrupt our operations.

Factors that may inhibit our efforts to commercialize our products without strategic partners or licensees include:

- our inability to recruit and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to or persuade adequate numbers of physicians to prescribe our products;
- the lack of complementary products to be offered by our sales personnel, which may put us at a competitive disadvantage against companies with broader product lines;
- unforeseen costs associated with expanding our own sales and marketing team for new products or with entering into a partnering agreement with an independent sales and marketing organization; and
- efforts by our competitors to commercialize competitive products.

Moreover, though we generate revenues from product sales arrangements, we may incur significant operating losses over the next several years. Our ability to achieve profitable operations in the future will depend in large part upon successful in-licensing of products approved by the FDA, selling and manufacturing these products, completing development of our products, obtaining regulatory approvals for these products, and bringing these products to market. The likelihood of the long-term success of our company must be considered in light of the expenses, difficulties and delays frequently encountered in the development and commercialization of new drug products, competitive factors in the marketplace, as well as the regulatory environment in which we operate.

In addition, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors.

***We will likely experience fluctuations in operating results and could incur substantial losses.**

We expect that our operating results will vary significantly from quarter-to-quarter and year-to-year as a result of investments in research and development, specifically our clinical and preclinical development activities. We have not completed development of any drugs and we anticipate that our expenses will increase substantially as we:

- complete the Phase 2 DUET trial of sparsentan for the treatment of FSGS;
- continue our ongoing clinical development of RE-024 for the treatment of PKAN;
- complete requirements for filing of L-UDCA;

- continue the research and development of additional product candidates;
- expand our sales and marketing infrastructure to commercialize Cholbam and any new products for which we may obtain regulatory approval; and
- expand operational, financial, and management information systems and personnel, including personnel to support product development efforts and our obligations as a public company.

To attain and sustain profitability, we must succeed in developing and commercializing drugs with significant market potential. This will require us to be successful in a range of challenging activities, including the discovery of product candidates, successful completion of preclinical testing and clinical trials of our product candidates, obtaining regulatory approval for these product candidates and manufacturing, marketing and selling those products for which we may obtain regulatory approval. We are only in the preliminary stages of these activities. We may not be successful enough in these activities to generate revenues that are substantial enough to achieve profitability. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become or remain profitable could depress the market price of our common stock and could impair our ability to raise capital, expand our business, diversify our product offerings or continue our operations. A decline in the market price of our common stock may also cause a loss of a part or all of your investment.

Negative publicity regarding any of our products could impair our ability to market any such product and may require us to spend time and money to address these issues.

If any of our products or any similar products distributed by other companies prove to be, or are asserted to be, harmful to consumers and/or subject to FDA enforcement action, our ability to successfully market and sell our products could be impaired. Because of our dependence on patient and physician perceptions, any adverse publicity associated with illness or other adverse effects resulting from the use or misuse of our products or any similar products distributed by other companies could limit the commercial potential of our products and expose us to potential liabilities.

***We may not have sufficient insurance to cover our liability in any current or future litigation claims either due to coverage limits or as a result of insurance carriers seeking to deny coverage of such claims.**

We face a variety of litigation-related liability risks. Our certificate of incorporation, bylaws, other applicable agreements, and/or Delaware law require us to indemnify (and advance expenses to) our current and past directors and officers and employees from reasonable expenses related to the defense of any action arising from their service to us, including circumstances under which indemnification is otherwise discretionary. While our directors and officers are included in a director and officer liability insurance policy, which covers all our directors and officers in some circumstances, our insurance coverage does not cover all of our indemnification obligations and may not be adequate to cover any indemnification or other claims against us. In addition, the underwriters of our present coverage may seek to avoid coverage in certain circumstances based upon the terms of the respective policies. If we incur liabilities that exceed our coverage under our directors and officers insurance policy or incur liabilities not covered by our insurance, we would have to self-fund any indemnification amounts owed to our directors and officers and employees in which case our results of operations and financial condition could be materially adversely affected. Further, if D&O insurance becomes prohibitively expensive to maintain in the future, we may be unable to renew such insurance on economic terms or unable renew such insurance at all. The lack of D&O insurance may make it difficult for us to retain and attract talented and skilled directors and officers to serve our company, which could adversely affect our business

***We may need substantial funding and may be unable to raise capital when needed, which would force us to delay, reduce or eliminate our product development programs or commercialization efforts.**

We expect our general, research and development expenses to increase in connection with our ongoing activities, particularly as we complete Phase 2 clinical studies of sparsentan, complete requirements for filings of L-UDCA and future clinical studies of RE-024, and for any later-stage clinical trials of our product candidates. In addition, subject to obtaining regulatory approval of any of our product candidates, we expect to incur significant commercialization expenses for product sales and marketing, securing commercial quantities of product from our manufacturers, and product distribution. We currently have no additional commitments or arrangements for any additional financing to fund the research and development and commercial launch of our product candidates.

Management believes the Company's ability to continue its operations depends on its ability to sustain and grow revenue, results of operations and its ability to access capital markets when necessary to accomplish its strategic objectives. Management believes that we may incur losses in the immediate future. For the six months ended June 30, 2016, the Company generated a positive cash flow from operations; however, we expect that our operating results will vary significantly from quarter-to-quarter and year-to-year as a result of investments in research and development, specifically our clinical and preclinical development activities. The Company expects to finance its cash needs from cash on hand and results of operations, and depending on results of operations we may either need additional equity or debt financing, or need to enter into strategic alliances on products in development to continue our operations until we can achieve sustained profitability and positive cash flows from operating activities. Additional funds may not be available to us 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 reduce or eliminate research development programs or commercial efforts.

Our future capital requirements will depend on many factors, including:

- the progress and results of our pre-clinical and clinical studies of sparsentan, RE-024 and L-UDCA and other drug candidates;
- the costs, timing and outcome of regulatory review of our product candidates;
- the number and development requirements of other product candidates that we pursue;

- the costs of commercialization activities, including product marketing, sales and distribution;
- the emergence of competing technologies and other adverse market developments;
- the costs of preparing, filing and prosecuting patent applications and maintaining, enforcing and defending intellectual property related claims;
- the extent to which we acquire or invest in businesses, products and technologies; and
- our ability to establish collaborations and obtain milestone, royalty or other payments from any such collaborators.

The market price for shares of our common stock may be volatile and purchasers of our common stock could incur substantial losses.

The price of our stock is likely to be volatile. The stock market in general, and the market for biotechnology companies in particular, have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. The market price for our common stock may be influenced by many factors, including:

- results of clinical trials of our product candidates or those of our competitors;
- our entry into or the loss of a significant collaboration;
- regulatory or legal developments in the United States and other countries, including changes in the health care payment systems;
- our ability to obtain and maintain marketing approvals from the FDA or similar regulatory authorities outside the United States;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors and issuance of new or changed securities analysts' reports or recommendations;
- general economic, industry and market conditions;
- results of clinical trials conducted by others on drugs that would compete with our product candidates;
- developments or disputes concerning patents or other proprietary rights;
- public concern over our product candidates or any products approved in the future;
- litigation;
- future sales or anticipated sales of our common stock by us or our stockholders; and
- the other factors described in this "Risk Factors" section.

In addition, the stock markets, and in particular, the NASDAQ Global Market, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many pharmaceutical companies. The realization of any of the above risks or any of a broad range of other risks, including those described in these "Risk Factors" could have a dramatic and material adverse impact on the market price of our common stock.

We may be unable to successfully integrate new products or businesses we may acquire.

We intend to expand our product pipeline by pursuing acquisition of pharmaceutical products. If an acquisition is consummated, the integration of the acquired business, product or other assets into our company may also be complex and time- consuming and, if such businesses, products and assets are not successfully integrated, we may not achieve the anticipated benefits, cost-savings or growth opportunities. Potential difficulties that may be encountered in the integration process include the following:

- integrating personnel, operations and systems, while maintaining focus on producing and delivering consistent, high quality products;
- coordinating geographically dispersed organizations;
- distracting employees from operations;
- retaining existing customers and attracting new customers; and
- managing inefficiencies associated with integrating the operations of the Company.

Furthermore, these acquisitions and other arrangements, even if successfully integrated, may fail to further our business strategy as anticipated, expose us to increased competition or challenges with respect to our products or geographic markets, and expose us to additional liabilities associated with an acquired business, product, technology or other asset or arrangement. Any one of these challenges or risks could impair our ability to realize any benefit from our acquisitions or arrangements after we have expended resources on them.

If we are unable to maintain an effective and specialized sales force, we will not be able to commercialize our products successfully.

In order to successfully commercialize our products, we have built a specialized sales force. Factors that may hinder our ability to successfully market and commercially distribute our products include:

- inability of sales personnel to obtain access to or convince adequate numbers of physicians to prescribe our products;
- inability to recruit, retain and effectively manage adequate numbers of effective sales personnel;
- lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies that have more extensive product lines; and
- unforeseen delays, costs and expenses associated with maintaining our sales organization.

If we are unable to maintain our sales force for our products, we may not be able to generate sufficient product revenue.

We will need to continue to expend significant time and resources to train our sales forces to be credible, persuasive and compliant in discussing our products with the specialists treating the patients indicated under the product's label. In addition, if we are unable to effectively train our sales force and equip them with effective marketing materials our ability to successfully commercialize our products could be diminished, which would have a material adverse effect on our business, results of operations and financial condition.

***Product liability lawsuits against us could cause us to incur substantial liabilities and to limit commercialization of any products that we may develop.**

Our business exposes us to potential liability risks inherent in the research, development, manufacturing and marketing of pharmaceutical products. If any of our product candidates in clinical trials or marketed products harm people we may be subject to costly and damaging product liability claims. We have clinical trial insurance and commercial product liability coverage. However, this insurance may not be adequate to cover all claims. We may be exposed to product liability claims and product recalls, including those which may arise from misuse or malfunction of, or design flaws in, such products, whether or not such problems directly relate to the products and services we have provided. If we cannot successfully defend ourselves against claims that our product candidates or products caused injuries, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for any product candidates or products that we may develop;
- damage to our reputation;
- regulatory investigations that could require costly recalls or product modifications;
- withdrawal of clinical trial participants;
- costs to defend the related litigation;
- substantial monetary awards to trial participants or patients, including awards that substantially exceed our product liability insurance, which we would then be required to pay from other sources, if available, and would damage our ability to obtain liability insurance at reasonable costs, or at all, in the future;
- loss of revenue;
- the diversion of management's attention from managing our business; and
- the inability to commercialize any products that we may develop.

We have liability insurance policies for our clinical trials in the geographies in which we are conducting trials. The amount of insurance that we currently hold may not be adequate to cover all liabilities that we may incur. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost and we may not be able to obtain insurance coverage that will be adequate to satisfy any liability that may arise. On occasion, large judgments have been awarded in class action lawsuits based on drugs that had unanticipated side effects. A successful product liability claim or a series of claims brought against us could cause our stock price to fall and, if judgments exceed our insurance coverage, could decrease our available cash and adversely affect our business.

We are involved in various litigation matters, any of which could result in substantial costs, divert management's attention and otherwise have a material adverse effect on our business, operating results or financial condition.

We are involved in various litigation matters, each describedin Note 13 of the unaudited Condensed Consolidated Financial Statements included in this report. Although we intend to vigorously defend any claims for which we have been named as a defendant, there is no guarantee that we will be successful and we may have to pay damages awards or otherwise may enter into settlement arrangements in connection with such claims. Any such payments or settlement arrangements could have material adverse effects on our business, operating results or financial condition. Even if the pending claims are not successful, litigation with respect to such claims could result in substantial costs and significant adverse impact on our reputation and divert management's attention and resources, which could have a material adverse effect on our business, operating results or financial condition.

***We are subject to significant ongoing regulatory obligations and oversight, which may result in significant additional expense and may limit our commercial success.**

We are subject to significant ongoing regulatory obligations, such as safety reporting requirements and additional post-marketing obligations, including regulatory oversight of the promotion and marketing of our products. In addition, the manufacture, quality control, labeling, packaging, safety surveillance, adverse event reporting, storage and recordkeeping for our products are subject to extensive and ongoing regulatory requirements. If we become aware of previously unknown problems with any of our products, a regulatory agency may impose restrictions on our products, our contract manufacturers or

us. If we, our products and product candidates, or the manufacturing facilities for our products and product candidates fail to comply with applicable regulatory requirements, a regulatory agency, including the FDA, may send enforcement letters, mandate labeling changes, suspend or withdraw regulatory approval, suspend any ongoing clinical trials, refuse to approve pending applications or supplements filed by us, suspend or impose restrictions on manufacturing operations, request a recall of, seize or detain a product, seek criminal prosecution or an injunction, or impose civil or criminal penalties or monetary fines. In such instances, we could experience a significant drop in the sales of the affected products, our product revenues and reputation in the marketplace may suffer, and we could become the target of lawsuits.

We are also subject to regulation by national, regional, state and local agencies, including but not limited to the FDA, Centers for Medicare and Medicaid Services, Department of Justice, the Federal Trade Commission, the Office of Inspector General of the U.S. Department of Health and Human Services and other regulatory bodies. The FDC Act, Social Security Act, Public Health Service Act and other federal and state statutes and regulations govern to varying degrees the research, development, manufacturing and commercial activities relating to prescription pharmaceutical products, including preclinical testing, clinical research, approval, production, labeling, sale, distribution, post-market surveillance, advertising, dissemination of information, promotion, marketing, and pricing to government purchasers and government health care programs. Our manufacturing partners are subject to many of the same requirements.

Companies may not promote drugs for “off-label” uses-that is, uses that are not described in the product’s labeling and that differ from those approved by the FDA or other applicable regulatory agencies. A company that is found to have improperly promoted off-label uses may be subject to significant liability, including civil and administrative remedies as well as criminal sanctions. In addition, management’s attention could be diverted from our business operations and our reputation could be damaged.

The federal health care program Anti-Kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting, or receiving remuneration to induce or in return for purchasing, leasing, ordering or arranging for the purchase, lease or order of any health care item or service reimbursable under Medicare, Medicaid or other federally financed healthcare programs. This statute has been interpreted broadly to apply to arrangements that pharmaceutical companies have with prescribers, purchasers and formulary managers, among others. Further, the Health Care Reform Law, among other things, amends the intent requirement of the federal anti-kickback statute so that a person or entity no longer needs to have actual knowledge of this statute or specific intent to violate it. In addition, the Health Care Reform Law 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 civil False Claims Act. Although there are a number of statutory exceptions and regulatory safe harbors under the federal anti-kickback statute protecting certain common manufacturer business arrangements and activities from prosecution, the exceptions and safe harbors are drawn narrowly and an arrangement must meet all of the conditions specified in order to be fully protected from scrutiny under the federal anti-kickback statute. We seek to comply with the exceptions and safe harbors whenever possible, but our practices, such as our patient assistance programs and prompt pay discounts with certain customers, may not in all cases meet all of the criteria for protection from anti-kickback liability and may be subject to scrutiny.

The federal false claims laws, including the Federal False Claims Act, prohibit any person or entity from knowingly presenting, or causing to be presented, a false claim for payment to the federal government, or knowingly making, or causing to be made, a false statement to get a false claim paid. Many pharmaceutical and other health care companies have been investigated and have reached substantial financial settlements with the federal government under the Federal False Claims Act for a variety of alleged marketing activities, including providing free product to customers with the expectation that the customers would bill federal programs for the product; providing consulting fees, grants, free travel, and other benefits to physicians to induce them to prescribe the company’s products; and inflating prices reported to private price publication services, which may be used by states to set drug payment rates under government health care programs. Companies have been prosecuted for causing false claims to be submitted because of the marketing of their products for unapproved uses. Pharmaceutical and other health care companies have also been prosecuted on other legal theories of Medicare and Medicaid fraud.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. It is not clear whether additional legislative changes will be enacted, or whether the FDA regulations, guidance or interpretations will be changed, or what the impact of such changes on the marketing approvals of any Retrophin products, if any, may be. In addition, increased scrutiny by the U.S. Congress of the FDA’s approval process may significantly delay or prevent marketing approval, as well as subject Retrophin to more stringent product labeling and post-marketing testing and other requirements.

Many states also have statutes or regulations similar to the federal Anti-Kickback Statute and False Claims Act and civil monetary penalty laws, which apply to items and services reimbursed under Medicaid and other state programs, or, in several states, which apply regardless of the payer. In addition, several states require pharmaceutical companies to implement compliance programs or marketing codes as does the U.S. Department of Health and Human Services

We also could become subject to government investigations and related subpoenas. Such subpoenas are often associated with previously filed qui tam actions, or lawsuits filed under seal under the Federal False Claims Act. Qui tam actions are brought by private plaintiffs suing on behalf of the federal government for alleged violations of the Federal False Claims Act. The time and expense associated with responding to such subpoenas, and any related qui tam or other actions, may be extensive, and we cannot predict the results of our review of the responsive documents and underlying facts or the results of such actions. Responding to government investigations, defending any claims raised, and any resulting fines, restitution, damages and penalties, settlement payments or administrative actions, as well as any related actions brought by stockholders or other third parties, could have a material impact on our reputation, business and financial condition and divert the attention of our management from operating our business.

The number and complexity of both federal and state laws continues to increase, and additional governmental resources are being added to enforce these laws and to prosecute companies and individuals who are believed to be violating them. In particular, the Health Care Reform Law includes a number of provisions aimed at strengthening the government’s ability to pursue anti-kickback and false claims cases against pharmaceutical

manufacturers and other healthcare entities, including substantially increased funding for healthcare fraud enforcement activities, enhanced investigative powers, amendments to the federal False Claims Act that make it easier for the government and whistleblowers to pursue cases for alleged kickback and false claim violations and, for payments made on or after August 1, 2013, public reporting of payments by pharmaceutical manufacturers to physicians and teaching hospitals nationwide. While it is too early to predict the full effect these changes will have on our business, we anticipate that government scrutiny of pharmaceutical sales and marketing practices will continue for the foreseeable future and subject us to the risk of further government investigations and enforcement actions. Responding to a government investigation or enforcement action would be expensive and time-consuming, and could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

The U.S. Foreign Corrupt Practices Act, and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-bribery laws. We operate in parts of the world that have experienced governmental corruption to some degree and in certain circumstances, strict compliance with antibribery laws may conflict with local customs and practices or may require us to interact with doctors and hospitals, some of which may be state controlled, in a manner that is different than in the United States. We cannot assure you that our internal control policies and procedures will protect us from reckless or criminal acts committed by our employees or agents. Violations of these laws, or allegations of such violations, could disrupt our business and result in criminal or civil penalties or remedial measures, any of which could have a material adverse effect on our business, financial condition and results of operations and could cause the market value of our common stock to decline.

In addition, we may be subject to data privacy and security regulation by both the federal government and the states in which we conduct our business. The Federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), as amended by the Health Information Technology for Economic and Clinical Health Act ("HITECH"), and their respective implementing regulations, imposes specified requirements relating to the privacy, security and transmission of individually identifiable health information.

Additionally, the federal Physician Payments Sunshine Act within the Health Care Reform Law, and its implementing regulations, require that certain manufacturers of drugs, devices, biologicals and medical supplies to report annually information related to certain payments or other transfers of value made or distributed to physicians and teaching hospitals, or to entities or individuals at the request of, or designated on behalf of, the physicians and teaching hospitals and to report annually certain ownership and investment interests held by physicians and their immediate family members. Moreover, the Drug Supply Chain Security Act imposes new obligations on manufacturers of pharmaceutical products related to product tracking and tracing. Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. We are not sure whether additional legislative changes will be enacted, or whether the current regulations, guidance or interpretations will be changed, or what the impact of such changes on our business, if any, may be. Several states now require pharmaceutical companies to report their expenses relating to the marketing and promotion of pharmaceutical products in those states and to report gifts and payments to certain individual health care providers in those states. Some of these states also prohibit certain marketing-related activities, including the provision of gifts, meals, and other items to certain health care providers.

If we or any of our partners fail to comply with applicable regulatory requirements, we or they could be subject to a range of regulatory actions that could affect our or our partners' ability to commercialize our products and could harm or prevent sales of the affected products, or could substantially increase the costs and expenses of commercializing and marketing our products. Any threatened or actual government enforcement action could also generate adverse publicity and require that we devote substantial resources that could otherwise be used in other aspects of our business. Compliance with applicable federal and state laws is difficult and time consuming, and companies that violate them may face substantial penalties. The potential sanctions include criminal fines, civil monetary penalties, administrative penalties, disgorgement, exclusion from participation in federal health care programs, imprisonment , injunctions, recall or seizure of products, and other sanctions . Because of the breadth of these laws, it is possible that some of our business activities could be subject to challenge under one or more of these laws. Such a challenge, irrespective of the underlying merits of the challenge or the ultimate outcome of the matter, could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

If we are not able to obtain and maintain required regulatory approvals, we will not be able to commercialize our products, and our ability to generate revenue will be materially impaired.

Our product candidates, once approved, and the activities associated with their manufacture, marketing, distribution, and sales are subject to extensive regulation by the FDA and other regulatory agencies in the United States and by comparable authorities in other countries. Failure to adhere to regulations set out by these bodies for one or more of our commercial products could prevent us from commercializing the product candidate in the jurisdiction of the regulatory authority. We have only limited experience in meeting the regulatory requirements incumbent on the sale of drugs in the United States and elsewhere, and expect to rely on third-parties to assist us in these processes. If these third parties fail to adequately adhere to the regulations governing drug distribution and promotion we may be unable to sell our products, which could have a material effect on our ability to generate revenue.

Our product candidates and the activities associated with their development and commercialization, including testing, manufacture, safety, efficacy, recordkeeping, labeling, storage, approval, advertising, promotion, sale and distribution, are subject to comprehensive regulation by the FDA and other regulatory agencies in the United States and by comparable authorities in other countries. Failure to obtain regulatory approval for a product candidate will prevent us from commercializing the product candidate in the jurisdiction of the regulatory authority. We have only limited experience in filing and prosecuting the applications necessary to obtain regulatory approvals and expect to rely on third-party contract research organizations to assist us in this process.

Securing FDA approval requires the submission of extensive preclinical and clinical data and supporting information to the FDA for each therapeutic indication to establish the product candidate’s safety and efficacy. Securing FDA approval also requires the submission of information about the product manufacturing process to, and successful inspection of manufacturing facilities by, the FDA. Our future products may not be effective, may be only

moderately effective or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude our obtaining regulatory approval or prevent or limit commercial use.

Our product candidates may fail to obtain regulatory approval for many reasons, including:

- our failure to demonstrate to the satisfaction of the FDA or comparable regulatory authorities that a product candidate is safe and effective for a particular indication;
- the results of clinical trials may not meet the level of statistical significance required by the FDA or comparable regulatory authorities for approval;
- our inability to demonstrate that a product candidate's benefits outweigh its risks;
- our inability to demonstrate that the product candidate presents an advantage over existing therapies;
- the FDA's or comparable regulatory authorities' disagreement with the manner in which we interpret the data from preclinical studies or clinical trials;
- failure of the third-party manufacturers with which we contract for clinical or commercial supplies to satisfactorily complete an FDA pre-approval inspection of the facility or facilities at which the product is manufactured to assess compliance with the FDA's cGMP regulations to assure that the facilities, methods and controls are adequate to preserve the drug's identity, strength, quality and purity; and
- a change in the approval policies or regulations of the FDA or comparable regulatory authorities or a change in the laws governing the approval process.

The process of obtaining regulatory approvals is expensive, often takes many years, if approval is obtained at all, and can vary substantially based upon a variety of factors, including the type, complexity and novelty of the product candidates involved. Changes in regulatory approval policies during the development period, changes in or the enactment of additional statutes or regulations, or changes in regulatory review for each submitted product application may cause delays in the approval or rejection of an application. The FDA and non-United States regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that our data is insufficient for approval and require additional preclinical, clinical or other studies. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent regulatory approval of a product candidate. Any regulatory approval we ultimately obtain may be limited or subject to restrictions or post approval commitments that render the approved product not commercially viable. Any FDA or other regulatory approval of our product candidates, once obtained, may be withdrawn, including for failure to comply with regulatory requirements or if clinical or manufacturing problems follow initial marketing.

***Our internal computer systems, or those of our CROs or other contractors and vendors who host our applications or consultants, may fail or suffer security breaches, which could result in a material disruption of our product development programs.**

Despite the implementation of security measures, our internal computer systems and those of our CROs and other contractors vendors who host our applications and consultants are vulnerable to damage or disruption from computer viruses, software bugs, unauthorized access including cyber-attack, natural disasters, terrorism, war, and telecommunication, equipment and electrical failures. While we have not, to our knowledge, experienced any significant system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our programs. For example, the loss of clinical trial data from completed or ongoing clinical trials for any of our product candidates could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach results in a loss of or damage to our data or applications, or inappropriate disclosure or theft of confidential or proprietary information, we could incur liability, the further development of our product candidates could be delayed, our competitive position could be compromised, or our business reputation could be harmed.

***We face risks related to research and the ability to develop new drugs.**

Our growth and survival depends on our ability to consistently discover, develop and commercialize new products and find new and improve on existing technology and platforms. As such, if we fail to make sufficient investments in research, be attentive to consumer needs or do not focus on the most advanced technology, our current and future products could be surpassed by more effective or advanced products of other companies.

Risks Related to our Indebtedness and Investments

***Our indebtedness could adversely affect our financial condition.**

As of June 30, 2016 , we had approximately $46.0 million of total debt outstanding, classified as long term. The total debt outstanding relates to a Note Purchase Agreement dated May 29, 2014 for the private placement of $46.0 million aggregate senior secured notes (the "Notes"). As a result of our indebtedness, a portion of our cash flow will be required to pay interest and principal on the Notes if the Notes are not converted to shares of common stock prior to maturity. We may not generate sufficient cash flow from operations or have future borrowings available to enable us to repay our indebtedness or to fund other liquidity needs.

Our indebtedness pursuant to the Notes could have important consequences. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to any other debt we may incur in the future;
- increase our vulnerability to general adverse economic and industry conditions;

- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness and related interest, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- increase our cost of borrowing;
- place us at a competitive disadvantage compared to our competitors that may have less debt; and
- limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions, debt service requirements or general corporate purposes.

We expect to use cash flow from operations and outside financings to meet our current and future financial obligations, including funding our operations, debt service and capital expenditures. Our ability to make these payments depends on our future performance, which will be affected by financial, business, economic and other factors, many of which we cannot control. Our business may not generate sufficient cash flow from operations in the future, which could result in our being unable to repay indebtedness, or to fund other liquidity needs. If we do not generate sufficient cash from operations, we may be forced to reduce or delay our business activities and capital expenditures, sell assets, obtain additional debt or equity capital or restructure or refinance all or a portion of our debt, including the Notes, on or before maturity. We cannot make any assurances that we will be able to accomplish any of these alternatives on terms acceptable to us, or at all. In addition, the terms of existing or future indebtedness may limit our ability to pursue any of these alternatives.

A default under the Notes may have a material adverse effect on our financial condition.

If an event of default under the Notes occurs, the principal amount of the Notes, plus accrued and unpaid interest (including additional interest, if any) may be declared immediately due and payable, subject to certain conditions set forth in the indenture governing such notes. Events of default include, but are not limited to:

- failure to pay (for more than 30 days) interest when due;
- failure to pay principal when due;
- failure to deliver shares of Common Stock upon conversion of a Note;
- failure to provide notice of a fundamental change;
- acceleration on other indebtedness of the Company in excess of $10 million (other than indebtedness that is non-recourse to the Company); or
- certain types of bankruptcy or insolvency involving the Company.

Accordingly, the occurrence of a default under the Notes, unless cured or waived, may have a material adverse effect on our results of operations.

The Notes are structurally subordinated to all obligations of our subsidiaries.

The Notes are our obligations and are structurally subordinated to all indebtedness and other obligations, including trade payables, of our subsidiaries. The effect of this structural subordination is that, in the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding involving a subsidiary which is not a guarantor of the Notes, the assets of the affected entity could not be used to pay noteholders until after all other claims against that subsidiary, including trade payables, have been fully paid.

Provisions of the Notes could discourage an acquisition of us by a third party.

Certain provisions of the Notes could make it more difficult or more expensive for or prevent a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change, holders of the Notes will have the right, at their option, to require us to repurchase all of their Notes or any portion of the principal amount of such Notes in integral multiples of $1,000. We may also be required to increase the conversion rate for conversions in connection with certain fundamental changes.

Conversion of the Notes may dilute the ownership interest of existing stockholders, including holders who had previously converted their Notes.

To the extent we issue shares of common stock upon conversion of the Notes, the conversion of some or all of the Notes will dilute the ownership interests of existing stockholders. Any sales in the public market of shares of the common stock issuable upon such conversion could adversely affect prevailing market prices of shares of our common stock. In addition, the existence of the Notes may encourage short selling by market participants because the conversion of the Notes could depress the price of shares of our common stock.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

3.1	Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to Amendment No. 2 to the Company's General Form for Registration of Securities on Form 10-12G, filed with the SEC on October 28, 2010).
3.2	Certificate of Amendment of Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 11, 2015).
3.3	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the SEC on June 11, 2015).
4.1	Form of Warrant Certificate, dated June 30, 2014, issued to the Lenders under the Credit Agreement (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 7, 2014).
4.2	Form of Warrant issued to the purchasers in the private placement of 3,045,929 shares of common stock, dated February 14, 2013 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 19, 2013).
4.3	Form of Common Stock Purchase Warrant, dated August 15, 2013, issued to the purchasers of securities in the private placement of the Company closed on August 15, 2013 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 20, 2013).
4.4	Form of Note Purchase Agreement for principal senior convertible notes with an interest rate of 4.50% due 2019 ("2019 Notes"), dated May 29, 2014, by and among the Company and the investors identified therein (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 4, 2014).
4.5	Form of Indenture for 2019 Notes, dated May 30, 2014 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on June 4, 2014).
4.6	Form of Note for 2019 Notes, dated May 30, 2014 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on May 29, 2014).
4.7	Registration Rights Agreement, dated February 12, 2013, by and among the Company and the February 2013 Purchasers (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on February 19, 2013).
4.8	Registration Rights Agreement, dated August 15, 2013, by and among the Company and the August 2013 Purchasers (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on August 20, 2013).
4.9	First Amendment to Registration Rights Agreement, dated August 14, 2013, by and among the Company and the purchasers signatory thereto (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on August 20, 2013).
4.10	Form of Indenture for Senior Debt Securities (incorporated by reference to Exhibit 4.10 to the Company's Registration Statement on Form S-8, filed with the SEC on September 9, 2014).
4.11	Form of Indenture for Subordinated Debt Securities (incorporated by reference to Exhibit 4.11 to the Company's Registration Statement on Form S-8, filed with the SEC on September 9, 2014).
10.1	Asset Purchase Agreement dated as of June 9, 2016 between Retrophin, Inc. and Asklepion Pharmaceuticals, LLC * †
10.2	Retrophin, Inc. 2015 Equity Incentive Plan, as amended (incorporated by reference to Exhibit 99.1 to the Company's current report on Form 8-K, filed with the SEC on May 19, 2016
31.1	Chief Executive Officer's Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
31.2	Chief Financial Officer's Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
32.1	Chief Executive Officer's Certification pursuant to Section 906 of the Sarbanes Oxley Act of 2002 *
32.2	Chief Financial Officer's Certification pursuant to Section 906 of the Sarbanes Oxley Act of 2002 *
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

† Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted parties have filed separately with the SEC.

SIGNATURES

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

Date: August 4, 2016

RETROPHIN, INC.

By: /s/ Stephen Aselage

Name: Stephen Aselage

Title: Chief Executive Officer

By: /s/ Laura Clague

Name: Laura Clague

Title: Chief Financial Officer

EXHIBIT 10.1

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2.**

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this " **Agreement** ") is made as of June 9, 2016 (the " **Effective Date** "), by and between Retrophin, Inc., a Delaware corporation (" **Retrophin** " or " **Buyer** ") and Asklepion Pharmaceuticals, LLC, a Delaware limited liability company (" **Asklepion** " or " **Seller** "). Buyer and Seller may be referred to herein collectively as the " **Parties** " and individually as a " **Party.** "

RECITALS

WHEREAS , Asklepion desires to sell, assign and convey all of its rights, interests and obligations in and to certain of its assets related to its liquid ursodeoxycholic acid formulation business, and Retrophin desires to purchase, assume and accept from Asklepion such rights, interests and obligations, all on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE , in consideration of these premises, the respective covenants of Buyer and Seller set forth below and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1
DEFINITIONS

Definitions . In addition to the other capitalized terms defined herein, the following capitalized terms shall have the following respective meanings:

1.1 " **Act** " means the United States Food, Drug and Cosmetic Act, as amended from time to time and the regulations promulgated thereunder.

1.2 " **Affiliate** " means, with respect to any Party, any Person that, directly or indirectly, controls, is controlled by, or is under common control with such Party at any time during the period for which the determination of affiliation is being made. For the purposes of this definition, " **control** " (with correlative meanings for the terms " **controlled by** " and " **under common control with** ") means the possession by the applicable Person, directly or indirectly, of the power to direct or cause the direction of the management, policies and business affairs of a Person, whether through ownership of voting securities or general partnership or managing member interests, by contract or otherwise.

1.3 " **Agency** " means any governmental or regulatory authority having jurisdiction over the subject activities, products, and/or services.

1.4 " **Anti-Corruption Laws** " means the U.S. Foreign Corrupt Practices Act, as amended, the UK Bribery Act 2010, as amended, and any other applicable anti-corruption laws.

1.5 " **Applicable Laws** " means (i) all applicable laws, rules and regulations, including any rules, regulations, guidelines or other requirements of all Agencies, that may be in effect with respect to the subject activities, products and services, including the Act, and the PDMA, (ii) the American Medical Association Guidelines on Gifts to Physicians from Industry, (iii) the PhRMA Code on Interactions with Healthcare Professionals, and (iv) any requirement of action as directed by court order.

1.6 " **Assigned Contracts** " means the contracts between Asklepion and Third Parties for the continued licensing, development and commercialization of the L-UDCA Product as set forth on " **Assigned Contracts Schedule** ".

1.7 " **Assignment and Assumption Agreement** " means the Assignment and Assumption Agreement between Buyer and Seller in the form to be mutually agreed upon by Buyer and Seller.

1.8 " **Bill of Sale** " means the Bill of Sale by Seller to Buyer in the form to be mutually agreed upon by Buyer and Seller.

1.9 " **Business Day** " means any day other than a Saturday, Sunday, or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

1.10 " **Combination Product** " means a product which comprises (a) an L-UDCA Product and (b) at least one other active ingredient or medical device.

1.11 " **Commercially Reasonable Efforts** " means, with respect to a Party, that level of effort and resources required to carry out a particular task or obligation in an active and sustained manner consistent with the general practices applied in the research-based pharmaceutical industry in the development and commercialization of products of similar market potential to the L-UDCA Product at a similar stage in development or product life, taking into account issues of orphan drug or other exclusivity, safety, and other relevant factors, including technical, legal, scientific, medical, operational and commercial factors, and taking into account profitability exclusive of applicable royalties, milestone, and any other similar payments; provided, that, with respect to Retrophin, such efforts and resources are no less than those efforts and resources with respect to the other products of Retrophin.

1.12 " **Competition Period** " means, on a jurisdiction by jurisdiction basis, the longer of (a) […***…], or (b) any marketing exclusivity period in respect of a L-UDCA Product under Applicable Law, in each case, measured from the time of approval in the applicable jurisdiction.

1.13 " **Competitive Product** " means a liquid pharmaceutical product that is or is intended to be used for one or more of the Indications for which the L-UDCA Product is approved by the FDA or is the subject of any marketing approvals for the L-UDCA Product, including INDs, NDAs and Orphan Drug Designations.

1.14 " **Confidential Information** " means any information that (i) in any way relates to products, business, know-how, business strategies or technology of a Party or Affiliate thereof, (ii) is furnished or disclosed to the other Party in connection with this Agreement, and (iii) is identified as " **confidential** " (or words of similar import) upon such disclosure; provided, however, that the term " **Confidential Information** " shall not include any specific information that:

(a) at the time of disclosure, is generally available to the public;

(b) after disclosure hereunder, becomes generally available to the public, except as a result of a breach of this Agreement by the recipient of such information;

(c) becomes available to the recipient of such information from a Third Party that is not legally or contractually prohibited by the disclosing Party from disclosing such Confidential Information; or

(d) the recipient of which can demonstrate by clear and convincing evidence was developed by or for such recipient without the use of any of the Confidential Information of the disclosing Party or its Affiliates hereunder.

1.15 " **Contingent Payments** " means the contingent payments contemplated under Section 3.3 and Section 3.4 .

1.16 " **Cumulative Net Sales** " shall mean all Net Sales from and after the Closing Date through the applicable measurement date.

1.17 " **Distributor Receipts** " means, with respect to a Product, all amounts paid or payable to Retrophin and/or its Affiliates for sales anywhere in the world of such Product to a Third Party (including, without limitation, licensees, sublicensees and distributors, which includes, without limitation, the Initial Distributors) to whom Retrophin or its Affiliates (or their respective successors or assigns) sells Product for resale by such Third Party. A sample calculation of such discount to amounts paid or payable to Retrophin and/or its Affiliates is set forth on the **Distributor Receipts Schedule** . Distributor Receipts with respect to a Product shall also include […***…]

1.18 " **Electronic Data Room** " means the documents relating to Asklepion and its subsidiaries provided electronically on the share file site by Asklepion to Retrophin or its advisors

as of the Effective Date and, solely taking into account the addition of such documents to the share file site required or permitted in accordance with Section 6.3 , as of the Closing Date.

1.19 […***…]

1.20 " **FDA** " means the United States Food and Drug Administration or any successor agency thereto.

1.21 " **First Commercial Sale** " means the first sale for transfer for cash or some equivalent to which value can be assigned of a L-UDCA Product in the United States after FDA marketing approval of an L-UDCA Product. A sale on a cost reimbursement basis for use in a clinical trial will not constitute a First Commercial Sale.

1.22 " **Indication** " means an individual disease or clinical condition with respect to which at least one adequate and well —controlled study to support inclusion of such disease or condition in the indication statement of an approved package insert is required for FDA marketing approval for commercialization of a product.

1.23 " **Knowledge of Seller** " or " **Seller's Knowledge** " means (a) for purposes of this Agreement other than the representations and warranties contained in Section 4.11(a) , the actual knowledge of the executive officers of Seller, […***…], after exercising their duties in good faith, and (b) for purposes of the representations and warranties contained in Section 4.11(a) , the actual knowledge of Vifor SA.

1.24 " **Liens** " means any mortgages, security interests, liens, options, pledges, equities, claims, charges, restrictions, conditions, conditional sale contracts and any other adverse interests or other encumbrances of any kind whatsoever. Notwithstanding the foregoing, the term " **Liens** " shall not include liens as set forth on the " **Permitted Liens Schedule** ".

1.25 " **L-UDCA Product Patent** " means […***…].

1.26 " **L-UDCA Product** " means the liquid pharmaceutical product being developed as of the Effective Date by Seller that has UDCA as an active pharmaceutical ingredient […***…].

1.27 " **L-UDCA Product Data Assets** " means, in each case, to the extent owned or controlled by Asklepion, (a) any and all pre-clinical, clinical, chemical synthesis, manufacturing and testing data, protocols and other information, including chemical, pharmacological, toxicological, pharmaceutical, physical, analytical, safety, efficacy, bioequivalency, quality assurance, quality control and pre-clinical and clinical data for the development and commercialization of the L-UDCA Product in the United States and its territories, including its registration, formulation, manufacture, use, storage, transport, importation, sale, offer for sale, promotion and distribution; and, (b) all files, correspondence, records, laboratory notebooks, photographs, vendor and other audits, reports, documentation and other tangible embodiments

(whether in writing, electronically stored or otherwise) related to the matters described in clause (i) above.

1.28 " **L-UDCA Product Inventory** " means any and all inventory of the L-UDCA Product, including work in process inventory and finished product of L-UDCA Product existing as of the date of this Agreement and held by Vifor SA.

1.29 " **L-UDCA Product Know-How** " means any and all data, processes, photographs, techniques, procedures, drawings, compositions, devices, methods, formulas, algorithms, protocols, scientific research information and other proprietary information, whether or not patentable, which are not generally publicly known, relating to the L-UDCA Product.

1.30 " **L-UDCA Product IP** " means, in each case, to the extent owned or controlled by Asklepion, the L-UDCA Product Patent and the L-UDCA Product Know-How.

1.31 " **L-UDCA Product Regulatory Assets** " means all applications, filings, dossiers or other documents prepared for, submitted to or received from the FDA for the purpose of obtaining marketing approval for the L-UDCA Product for the Orphan Indication and any Additional Indication, including INDs, NDAs, Orphan Drug Designations, and any data relating thereto.

1.32 " **NDA** " means a new drug application with the FDA.

1.33 " **Net Sales** " means, with respect to a Product, the […***…], less:

(a) […***…];

(b) […***…];

(c) […***…]; and

(d) […***…].

For the avoidance of doubt, Net Sales shall not include any payments among Retrophin and its Affiliates. Net Sales shall be determined in accordance with generally accepted accounting principles, consistently applied.

1.34 " **Net Revenues** " means the sum of […***…].

1.35 " **Orphan Drug Designations** " means an orphan product designation from the Department of Health and Human Services, Food and Drug Administration Office of Orphan

Products Development for UDCA as the active pharmaceutical ingredient for treating an Indication under the Orphan Drug Act, as amended, and implementing regulations at 21 C.F.R. Part 316.

1.36 " **PDMA** " means the Prescription Drug Marketing Act of 1987, as amended, and the rules, regulations and guidelines promulgated thereunder and in effect from time to time, and any foreign counterpart thereto.

1.37 " **Person** " means any individual, partnership, association, corporation, limited liability company, trust, or other legal Person or entity.

1.38 " **Product** " means L-UDCA Product or any Combination Product, as the case may be.

1.39 " **Royalties** " means the royalties on Net Sales of a Product.

1.40 " **Third Party** " means any Person other than a Party and such Party's Affiliates.

1.41 " **UDCA** " means ursodeoxycholic acid (3α,7β-dihydroxy-5β-cholanic acid).

1.42 " **U.S. Commercialization Plan** " means the general marketing and promotional plans for the L-UDCA Product in the United States, in a manner consistent with Retrophin's commercialization plans generally and pharmaceutical industry standards, for each calendar year.

1.43 **Interpretation** . Unless the context of this Agreement otherwise requires (a) words of any gender include each other gender, (b) words using the singular or plural number also include the plural or singular number, respectively, (c) the terms "hereof," "herein," "hereby," and derivative or similar words refer to this entire Agreement, (d) the terms "Article," "Section," and "Exhibit" refer to the specified Article, Section and Exhibit of this Agreement and (e) the terms "include," "includes," or "including," shall be deemed to be followed by the words "without limitation" unless otherwise indicated. Whenever this Agreement refers to a number of days, unless otherwise specified, such number shall refer to calendar days. The headings in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

ARTICLE 2
SALE AND PURCHASE OF ASSETS

2.1 Assets .

(a) Assets . Upon the terms and subject to the conditions of this Agreement, on the Closing Date, the Seller shall and, if owned or held by its Affiliates, shall cause its Affiliates to, irrevocably sell, assign, transfer, convey and deliver to Buyer or its Affiliates (as directed by Buyer in writing), and Buyer shall and, if and to the extent directed by Buyer, shall cause its Affiliates to, purchase, acquire, assume and accept, free and clear of any and all Liens, all right, title and interest of Seller and its Affiliates in and to the following assets related to the L-UDCA Product (the " **Assets** "):

(i) the Assigned Contracts;

(ii) the L-UDCA Product Data Assets;

(iii) the L-UDCA Product IP;

(iv) the L-UDCA Product Regulatory Assets;

(v) any rights to the L-UDCA Product Inventory;

(vi) to the extent assignable and owned or controlled by Seller or its Affiliates, all claims, judgments, cases in action or rights related to the L-UDCA Product, including, for past, present or future infringement of the L-UDCA Product IP;

(vii) copies of other books, records (including computer records), correspondence (including email communications) of the Seller relating to the L-UDCA Product and/or the other Assets; and

(viii) to the extent assignable and owned or controlled by Seller, all representations, warranties, guarantees, indemnities, undertakings, covenants not to compete and covenants not to sue benefitting the Assets, certificates, covenants, agreements and all security therefor received by the Seller on the purchase, license or other acquisition of any part of the Assets.

2.2 Assumed Liabilities . Upon the terms and subject to the conditions of this Agreement, on the Closing Date, Buyer shall assume, be responsible for and pay, perform and discharge when due to assume, any and all of the liabilities of Seller to the extent relating to the Assigned Contracts, the L-UDCA Product, or the Assets, each of which are expressly assumed by Buyer and accrue from and after the Closing Date (the " **Assumed Liabilities** "). Without limiting the foregoing, from and after the Closing Date, the Assumed Liabilities shall include all obligations or other liabilities with respect to the Assets to satisfy, pay or otherwise discharge all fees of, or payments due to, the FDA or any other Agency for marketing approval of any L-UDCA Product,

whether or not such obligation or liability arose before or after the Closing Date, including all PDUFA fees.

2.3 Excluded Liabilities . Except for the Assumed Liabilities, but without limiting the terms or conditions of this Agreement, Buyer shall not assume or be liable for any liabilities of Seller or their respective Affiliates (fixed, contingent or otherwise, and whether or not accrued) relating to the Assigned Contracts, the L-UDCA Product, or the Assets in respect of the period prior to the Closing Date (the " **Excluded Liabilities** ").

2.4 Excluded Assets . Notwithstanding anything to the contrary contained in **Article 2** or elsewhere in this Agreement, all assets of Seller (collectively, the " **Excluded Assets** ") that are not part of the Assets, are excluded from the transactions contemplated by this Agreement and shall remain the property of Seller after the Closing Date.

2.5 Transfer Taxes and Fees . Any and all sales, excise, use, value-added and similar taxes, fees or duties assessed or incurred by reason of the sale by Seller and the purchase by Buyer of the Purchased Assets hereunder shall be shared equally between the Seller and Buyer, regardless of which Party such taxes, fees or duties are assessed against.

ARTICLE 3
CONSIDERATION

3.1 Consideration . Subject to the terms and conditions of this Agreement, the consideration (the " **Consideration** ") for the transfer and conveyance of the Assets to Buyer in accordance with **Article 2** shall be paid by Buyer by delivery of the following to Seller.

3.2 Closing Date Payment . On the Closing Date, Retrophin will pay to Asklepion five hundred thousand dollars ($500,000) by wire transfer of immediately available funds.

3.3 Milestones . Within forty five (45) days of the first achievement of each of the Milestone Events set forth below and subject to the next sentence set forth in this Section 3.3 , Retrophin will make the cash payment to Asklepion as set forth opposite the applicable Milestone Event:

Milestone Event	**Payment**
[…***…]	[…***…]
[…***…]	[…***…]
[…***…]	[…***…]
[…***…]	[…***…]
[…***…]	[…***…]

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The payments set forth in this Section 3.3 ("Milestones") will only be made in the event that […***…]. In the event that one or more Other Milestones as set forth in Section 3.4 are achieved for Cumulative Net Sales prior to […***…], then […***…].

3.4 Other Milestones . Within forty five (45) days of achievement of each of the Other Milestone Events below, subject to the next sentence set forth in this Section 3.4 , Retrophin will make the cash payment to Asklepion as set forth opposite the applicable Other Milestone Event. The payments set forth in this Section 3.4 will only be made in the event that […***…]. In the event a L-UDCA Product […***…], no further payments will be made under this Section 3.4.

Other Milestone Event	**Payment**
[…***…]	[…***…]
[…***…]	[…***…]
[…***…]	[…***…]

3.5 Product Royalties . L-UDCA Product. In addition to the above payments, Retrophin will, no later than forty five (45) days following the close of each calendar quarter, pay Asklepion tiered Royalties based on cumulative annual Net Revenues of Product as set forth below:

Annual Net Revenues of Product	**Royalty Rate** **As Percent of Net Revenues**
[…***…]	[…***…]
[…***…]	[…***…]
[…***…]	[…***…]
[…***…]	[…***…]

3.6 Payment Terms .

(a) Manner of Payment . All payments to be made by Retrophin under this **Article 3** will be made in U.S. dollars by wire transfer to such bank account as Asklepion may designate.

(b) Records and Audits . Retrophin shall keep, and shall cause each of its Affiliates and licensees, to keep adequate books and records of accounting for the purpose of calculating all Contingent Payments and Royalties payable to Asklepion under Sections 3.3 , 3.4 and 3.5 . For the seven (7) years next following the end of the calendar year to which each shall pertain, such books and records of accounting (including those of Retrophin's Affiliates and licensees) shall be kept at each of their principal place of business and shall be open for inspection at reasonable times and upon reasonable notice by an independent certified accountant selected by Asklepion, and which is reasonably acceptable to Retrophin, for the sole purpose of inspecting the

Contingent Payments and Royalties due to Asklepion under this Agreement. In no event shall such inspections be conducted hereunder more frequently than once every twelve (12) months. Such accountant must have executed and delivered to Retrophin and its Affiliates or licensees, a confidentiality agreement as reasonably requested by Retrophin, which shall include provisions limiting such accountant's disclosure to Asklepion to only the results and basis for such results of such inspection. The results of such inspection, if any, shall be binding on both Parties. Any underpayments shall be paid by Retrophin within thirty (30) days of notification of the results of such inspection. Any overpayments shall be fully creditable against amounts payable in subsequent payment periods. Asklepion shall pay for such inspections, except that in the event there is any upward adjustment in aggregate Contingent Payments and/or Royalties payable for any calendar year shown by such inspection of more than […***…] of the amount paid, Retrophin shall reimburse Asklepion for any reasonable out-of-pocket costs of such accountant.

(c) Reports and Royalty and Contingent Payments . For as long as Contingent Payments or Royalties are due under Sections 3.3 , 3.4 or 3.5 , Retrophin shall furnish to Asklepion a written report (each, a " **Report** ") for each calendar quarter, showing the amount of Net Sales of, and any Distributor Receipts in respect of, Products, and any Royalty or, if applicable, any Contingent Payment due for such calendar quarter under Sections 3.3 , 3.4 or 3.5 . Reports shall be provided within thirty (30) days of the end of the quarter for Net Sales generated by Retrophin and its Affiliates, and within forty-five (45) days of the end of the quarter for any Distributor Receipts and Net Sales generated by licensees. Royalties for each calendar quarter shall be due at the same time as such written Report for the calendar quarter. The Report shall include, at a minimum, the following information for the calendar quarter, each listed by Product and region: (i) the number of units of Products sold by Retrophin and its Affiliates and their respective licensees, (ii) the gross amount received for such sales; (iii) deductions taken from Net Sales as specified in the definition thereof; (iv) any Distributor Receipts, and (v) Net Sales. All Reports shall be treated as Confidential Information of Retrophin.

(d) Disputed Reports . Each Report shall be final, binding and conclusive, unless Seller or its designee notifies Buyer in writing of any disagreement therewith (an " **Objection Notice** ") within thirty (30) days after its receipt thereof, specifying (a) those items as to which there is disagreement and (b) a reasonably detailed description of the basis, nature, dollar amount and extent of the dispute or disagreement. If Seller delivers an Objection Notice within such period, then for a period of twenty (20) business days from the date of delivery of the Objection Notice, Buyer shall afford Seller and its agents or other representatives with reasonable access during normal business hours to the books and records of Buyer and its licensees so as to enable its review of the Report and the information contained therein. Buyer and Seller shall attempt in good faith to resolve such dispute, and any resolution by them as to any disputed amounts shall be final, binding and conclusive. If Buyer and Seller are unable to resolve all disputes reflected in the Objection Notice within twenty (20) business days after the date of delivery of the Objection Notice (or such longer period as Buyer and Seller may mutually agree upon), then Buyer and Seller shall request Ernst &

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Young (the " **Independent Accounting Firm** ") to resolve any remaining disagreements. Buyer and Seller shall use their commercially reasonable efforts to cause the Independent Accounting Firm to make its determination within thirty (30) days of accepting its selection. The determination by the Independent Accounting Firm shall be final, binding and conclusive on Buyer and Seller and shall not be appealable. Buyer and Seller shall deliver to the Independent Accounting Firm all work papers and back-up materials relating to the unresolved disputes requested by the Independent Accounting Firm to the extent available to Buyer, Seller and their respective agents or other representatives. Buyer and Seller shall be afforded the opportunity to present to the Independent Accounting Firm any material related to the unresolved disputes and to discuss the issues with the Independent Accounting Firm; provided, however, that no such presentation or discussion shall occur without the presence of agents or other representatives of the Buyer and Seller. The determination of the Independent Accounting Firm shall be limited to the disagreements submitted to the Independent Accounting Firm. Upon resolution by the Independent Accounting Firm to its satisfaction of all such disputed matters, the Independent Accounting Firm shall cause to be prepared and shall deliver to Buyer and Seller a final Report setting forth the Net Sales and any Distributor Receipts for the Products in respect of the calendar quarter at issue in the disputed Report, and the date of such delivery by the Independent Accounting Firm shall be deemed the date on which the Report and the Net Sales and any Distributor Receipts for the Products in respect of the calendar quarter at issue in the disputed Report shall become final, binding and conclusive. The fees and expenses of the Independent Accounting Firm shall be borne equally by Seller and Buyer.

(e) Marketing and Sale of L-UDCA Product . From and after the Closing Date, Buyer shall, and shall cause its Affiliates and its and its Affiliates' successors and assigns to:

(i) keep complete, true and accurate books and records of all Net Sales and Distributor Receipts and deliver to Seller or its Affiliates, successors or assigns, the U.S. Commercialization Plan on an annual basis;

(ii) use Commercially Reasonable Efforts to conduct the regulatory and manufacturing and supply activities to enable regulatory filing and commercial launch of the L¬UDCA Product in the United States in a manner consistent with the U.S. Commercialization Plan;

(iii) comply with all Applicable Laws with respect to the marketing, promotion and commercialization of the L-UDCA Product, except where the failure to comply would not have a material adverse effect on the business, financial condition or results of operation of the Buyer, taken as a whole;

(iv) Retrophin shall perform its obligations under this Agreement and shall conduct its business in compliance with Applicable Law where the failure to comply would not have a material adverse effect on the business, financial condition or results of operation of the Buyer, taken as a whole. Without limiting the generality of the foregoing: (a) Retrophin shall ensure

that all of its employees and consultants comply with Applicable Law, and shall implement and maintain policies and procedures to ensure such compliance, including maintaining a corporate compliance program that will include compliance monitoring focused on specific risk areas, including off-label promotion, fraud and abuse, and false claims, for the purpose of assessing whether Retrophin's policies and procedures are being followed; and (b) Retrophin shall, and shall ensure that all of its employees and consultants, comply with all applicable Anti-Corruption Laws;

(v) if, at any time, Buyer, its Affiliates, or any of their respective successors or assigns shall (A) consolidate with or merge with or merge into any other Person, or (B) sell, assign, convey, transfer, license, sublicense, lease or sublease all or any portion of the Assets, then Buyer shall give a written notice to Asklepion or its designee (or their respective successors or assigns) setting forth the name and address of any such Person with which Buyer, its Affiliates or their respective successors or assigns engaged in such transaction described in clauses (A) and/or (B), together with the name, telephone number, facsimile number and email address of an individual contact at such Person and will provide a copy of such notice to such Person; provided , however , that if any such Person with which Buyer, its Affiliates or any of their respective successors or permitted assigns engages in a transaction contemplated by clauses (A) and/or (B) owns, holds or commercializes […***…], then the assignment of this Agreement in connection with or pursuant to such transaction shall be permitted if, following the approval of Seller or its successors or permitted assigns (which approval shall not be unreasonably withheld), such Person shall affirmatively undertake to continue to use Commercially Reasonable Efforts with respect to the L-UDCA Product […***…] owned, held or commercialized by such Person in an amount reasonably sufficient to compensate Seller or its successors or permitted assigns for […***…]; and

(vi) for the Competition Period not, directly or indirectly, (A) manufacture, produce, market, commercialize or supply any Competitive Product, without the prior written consent of Seller or first offering to Seller or its successors or permitted assigns a royalty on such Competitive Product in an amount reasonably sufficient to compensate Seller or its successors or permitted assigns for any anticipated losses in Net Revenues or Net Sales resulting from any manufacturing, production, marketing, commercialization or sale of any such Competitive Product, or (B) acquire, own an interest in, manage, operate, join, control, lend money or render financial or other assistance to or participate in or be connected with, as an officer, employee, partner, stockholder, consultant or otherwise, any Person that competes in manufacturing, producing, marketing or supplying any Competitive Product.

The Parties agree that the covenant set forth in Section 3.6(e)(vi) is reasonable with respect to duration and scope and necessary to protect the legitimate interests of Seller and its Affiliates, and that any violation thereof would cause irreparable injuries. Therefore, Buyer, on behalf of itself and its Affiliates and their respective successors and assigns, acknowledges and agrees that, in the event of a violation by Buyer or its Affiliates of any of the restrictions contained in Section 3.6(e)(vi) , Seller or its Affiliates or their respective successor or assigns shall be entitled to obtain from

any court of competent jurisdiction temporary, preliminary and permanent injunctive relief, in addition to any other rights Seller or its Affiliates or their respective successor or assigns may be entitled. In addition, if the final judgment of any such court declares that any term or provision of Section 3.6(e)(vi) is invalid or unenforceable, the Parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term

or provision, and Section 3.6(e)(vi) shall be enforceable as so modified.

(f) Taxes . Retrophin may withhold from payments due to Asklepion amounts for payment of any withholding tax that is required by law to be paid to any taxing authority with respect to such payments. Retrophin will give proper evidence from time to time as to the payment of any such tax.

(g) Late Charge . If Retrophin fails to make any payment under this Agreement timely when due, Retrophin shall pay to Asklepion, in addition to any other sum due Asklepion under this Agreement or any Ancillary Agreement (as defined below), a late charge equal to […***…] of such past due payment, compounding monthly (the " **Late Charge** "), which Late Charge is a reasonable estimate of the losses that may be sustained by Asklepion due to the failure of Retrophin to make timely payments. The Late Charge shall be due whether or not Asklepion declares a breach of this Agreement or otherwise demands immediate payment of the sums due under this **Article 3** . The right to impose the Late Charge shall not constitute a grace period or provide any right of Retrophin to make a payment other than on its due date. It is hereby expressly agreed that such Late Charge is to compensate Asklepion for costs incurred in connection with the administration of such late payment, and does not constitute a penalty. The Late Charge is in addition to, and not in any way in limitation of, any other money due by Retrophin under this Agreement or any Ancillary Agreement by reason of such late payment or otherwise.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth on the Seller's disclosure schedule attached hereto and incorporated herein, comprising schedules numbered according to the sections of this **Article 4** and as specifically set forth herein (the " **Seller's Disclosure Schedule** "), with each exception set forth in the Seller's Disclosure Schedule deemed to qualify (a) the corresponding representation and warranty set forth in this Agreement that is specifically identified (by cross-reference or otherwise) in the Seller's Disclosure Schedule and (b) all other representations and warranties to the extent the relevance of such exception to such other representation and warranty is reasonably clear, Seller hereby represents and warrants to Buyer as of the Effective Date and as of the Closing Date (except if another date is specified in the representation or warranty) as follows:

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4.1 Organization . Seller is a business entity duly organized, validly existing and in good standing under the laws of Delaware. Seller has the requisite power and authority to own, lease and operate the properties now owned, leased and operated by it and to carry on its business as currently conducted. Seller is duly qualified to do business as a foreign entity in each jurisdiction in which the nature of its business or the character of its properties makes such qualification necessary, except where the failure to do so would not have a material adverse effect on the Seller or any of the Assets, taken as a whole.

4.2 Authority and Enforceability . Seller has the requisite power and authority to enter into this Agreement and each of the Bill of Sale and Assignment and Assumption Agreement(s), in each case, to which it is a party (collectively the " **Ancillary Agreements** "), and to perform its obligations hereunder and thereunder. Seller has taken all necessary action on its part to authorize the execution and delivery of this Agreement and each Ancillary Agreement to which it is a party, and the performance of its obligations hereunder and thereunder. This Agreement has been, and each Ancillary Agreement to which it is a party will be, duly and validly executed and delivered by Seller and this Agreement is, and each Ancillary Agreement to which it is a party will be, the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except that such enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to creditors' rights generally, and is subject to general principles of equity.

4.3 No Violation, Etc. Assuming that the consents to assign the Assigned Contracts are obtained, the execution and delivery of this Agreement and the performance of the Seller's obligations hereunder does not, and the execution and delivery of each Ancillary Agreement to which it is a party and the performance of the Seller's obligations thereunder will not, (a) violate or conflict with any provision of the certificate of formation or limited liability company agreement of Seller, (b) violate, or conflict with, or result in a breach of any provision of, or constitute a default or give rise to any right of termination, cancellation or acceleration (with the passage of time, notice or both) under any Assigned. Contract, (c) violate any Applicable Law which Seller or any of the Assets are subject or (d) result in any Lien on the Assets. Without limiting the foregoing, Seller has not granted any right to any Third Party which would conflict with the conveyance of the Assets to Buyer […***…].

4.4 No Consents and Approvals . Except for the consents to assign the Assigned Contracts, no permit, consent, approval or authorization of, or notice, declaration, filing or registration with, any governmental authority or Third Party is or will be necessary in connection with the execution and delivery by Seller of this Agreement and each Ancillary Agreement to which it is a party or the performance by Seller of its obligations hereunder and thereunder.

4.5 Litigation . There is no litigation, proceeding, arbitration, or, to the Seller's Knowledge, investigation pending against the Seller or its Affiliates, or to Seller's Knowledge, threatened with respect to the Assets or the transactions contemplated herein.

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4.6 Compliance with Law . Seller has complied with the Applicable Laws and has conducted, and, to Seller's Knowledge, each of Seller's contractors or consultants have conducted, all development and commercialization activities (if any) related to the L-UDCA Product in accordance with the Applicable Laws, except, in each case, where the failure to comply would not have a material adverse effect on development and/or commercialization of L-UDCA Product.

4.7 Assets . Assuming that the consents to assign the Assigned Contracts are obtained, Seller has, and on the Closing Date will convey and transfer to Buyer, legal, equitable and valid title to, or a valid lease or license to use, each and all of the Assets, free and clear of any and all Liens other than Permitted Liens. The Assets constitute all assets (tangible and intangible) of Seller relating to the development, manufacture and commercialization of the L-UDCA Product as currently held by Seller as of the Effective Date.

4.8 Product Data Assets . Seller has made available to Buyer in the Electronic Data Room true, correct and complete copies of all tangible embodiments in Seller's possession or control of the L-UDCA Product Data Assets. The L-UDCA Product Data Assets constitute all information in the possession or control of Seller or its Affiliates pertaining to the development, manufacture and commercialization of the L-UDCA Product, including efficacy, side effects, injury, toxicity or sensitivity, reaction and incidents or severity thereof, associated with any clinical use, studies, investigations or tests with such L-UDCA Product (animal or human), whether or not determined to be attributable to such L-UDCA Product. Neither Seller nor its Affiliates have employed, or, to Seller's Knowledge, used a contractor or a consultant that employs, any individual or entity debarred by the FDA, or any individual who or entity which is the subject of any FDA debarment investigation or proceeding.

4.9 Assigned Contracts . The **Assigned Contracts Schedule** lists all material Seller contracts relating to the L-UDCA Product. Seller has made available to Buyer in the Electronic Data Room true, correct and complete copies of the Assigned Contracts (including amendments thereto). The Assigned Contracts are valid and binding obligation of the parties thereto, enforceable in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to creditors' rights generally, or general principles of equity. As applicable, Seller has duly performed all of its obligations under the Assigned Contracts to the extent that such obligations to perform have accrued; and no breach or default by Seller, alleged breach or default by Seller, or event which would (with the passage of time, notice or both) constitute a breach or default by Seller thereunder has occurred. Seller has not received written notice of default or breach under the Assigned Contracts. Assuming the receipt of all consents to assign the Assigned Contracts, the execution, delivery and performance of this Agreement or any Ancillary Agreement and the consummation of the transactions contemplated hereby and thereby will not result in a breach of or default under any Assigned Contract, will not terminate any rights of, or accelerate any obligation of, Seller under any Assigned Contract and do not require any consent, approval, waiver or other action by any party to any Assigned Contract.

4.10 Intellectual Property .

(a) Seller has valid and enforceable exclusive license rights to the extant L-UDCA Product IP.

(b) Assuming that the consents to assign the Assigned Contracts are obtained, Seller has sufficient right to transfer and convey and is not obligated to pay, and immediately following the Closing Date, Buyer will not be obligated to pay, any Person any royalty, fee or other consideration with respect to the use of the L-UDCA Product IP, other than […***…] and the consideration payable to Seller pursuant to **Article 3** . Without limiting the generality of the last sentence of Section 4.3 or […***…], Seller has not previously granted any rights to any Third Party that conflict with or are otherwise inconsistent with conveyance of the L-UDCA Product IP to Buyer as provided herein and further represent and warrant that, except as set forth in this Agreement and the Ancillary Agreements, the Seller has not entered into any agreement pursuant to which it has assigned or otherwise disposed of any interest it has in, to, or under any L-UDCA Product IP, or has agreed to do any of the foregoing in the future.

(c) No written claim has been received by Seller or, to Seller's Knowledge are there any facts or circumstances which would result in receipt of a claim against Seller, nor has Seller received written notice of any threatened claim with respect to any L-UDCA Product IP that alleges that such L-UDCA Product IP, or the use or exploitation thereof, infringes or misappropriates the intellectual property rights of any Third Party, and Seller has not threatened or initiated any claim against any Third Party alleging that such Third Party infringes or has misappropriated any L-UDCA Product IP.

(d) To the Knowledge of Seller, none of the L-UDCA Product IP (i) is the product or subject of any joint development activity or agreement with any Third Party; (ii) is the subject of any consortia agreement or cross-license ([…***…]); and/or (iii) has been financed in whole or in part by any Third Party. To the Knowledge of Seller, Seller has not used any intellectual property in connection with the commercialization of the L-UDCA Product that Seller does not own or control and that Buyer is not free to use without liability, subject to the terms of this Agreement.

(e) To the Knowledge of Seller, no invention included in the L-UDCA Product IP, including the manufacture or use thereof, infringes or misappropriates any intellectual property right of any Third Party.

4.11 L-UDCA Product Inventory . To the Knowledge of Seller, all of the L-UDCA Product Inventory (i) meets the specifications therefor, and (ii) is free from known defects and damage and is usable in the ordinary course.

4.12 Solvency . Upon and immediately following the Closing Date, after giving effect to all of the transactions contemplated by and in this Agreement (including the payment of the Effective Date Payment and the assumption by Buyer of the Assumed Liabilities in accordance herewith), to

Seller's Knowledge, Seller will not be insolvent and will have sufficient capital to continue in business and pay its debts as they become due.

4.13 Absence of Certain Practices . To Seller's Knowledge, no director, manager, officer or employee of Seller or other Person acting on Seller's behalf, directly or indirectly, has given, made or agreed to give or make any material or illegal commission, payment, gratuity, gift, political contribution or other similar benefit to any employee or official of any governmental entity or any other Person who is or may be in a position to help or hinder such Seller or assist such Seller in connection with any proposed transaction.

4.14 Brokers, Finders, Etc. Seller has not entered into any brokerage or other agreement contemplating commissions or other payments payable upon sale or conveyance of the Assets as provided herein or otherwise upon consummation of the transactions contemplated hereby. All negotiations relating to this Agreement and the transactions contemplated hereby have been carried on without the intervention of any Person acting on behalf of Seller in such manner as to give rise to any valid claim against Buyer for any brokerage or finder's commission, fee, or similar compensation.

4.15 Reliance . Seller recognizes and agrees that, notwithstanding any investigation by Buyer and assuming the accuracy of the Buyer's representations and warranties contained in **Article 5** , Buyer is relying upon the representations and warranties made by Seller in this **Article 4** .

4.16 No Filing Misrepresentations; L-UDCA Product Approvals and Commitments in the US .

(a) To the Seller's Knowledge, Seller has not, with respect to the L-UDCA Product: (a) made any untrue statement of material fact or fraudulent statement to the FDA or any other equivalent foreign agency; (b) failed to timely disclose a material fact required to be disclosed to the FDA or any other or any equivalent foreign agency; or (c) committed an act, made a statement, or failed to make a statement that would reasonably be expected to provide the basis for the FDA to invoke its policy respecting "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities," as set forth in 56 Fed. Reg. 46191 (September 10, 1991).

(b) Seller has made available to Buyer in the Electronic Data Room all material correspondence between Seller and the FDA (including submission cover sheets) relating to the Seller's submission for approval of the L-UDCA Product or application for or receipt of an Orphan Drug Designation in the United States since January 1, 2012, as well as such additional materials contemplated by such correspondence as were reasonably requested by Buyer, in each case, that relate to the Indications for the L-UDCA Product, the likelihood of obtaining marketing approval of an L-UDCA Product by FDA, the timing of marketing approval of an L-UDCA Product by FDA, and any post-approval obligations within the United States.

4.17 Exclusive Representations and Warranties . Other than the representations and warranties set forth in this **Article 4** of this Agreement or in any Ancillary Agreement, Seller is not making any representations or warranties, express or implied. Except for the representations and warranties contained in **Article 5** , Seller acknowledges that Buyer is not making, and Seller acknowledges that it has not relied upon or otherwise been induced by, any other express or implied representation or warranty with respect to Buyer or with respect to any other information provided or made available to Seller in connection with the transactions contemplated by this Agreement.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller as of the Effective Date and as of the Closing Date as follows:

5.1 Organization . Buyer is organized, validly existing and in good standing under the laws of state of Delaware. Buyer has the requisite power and authority to own, lease and operate the properties now owned, leased and operated by it and to carry on its businesses as currently conducted. Buyer is duly qualified to do business as a foreign entity in each jurisdiction in which the nature of its business or the character of its properties makes such qualification necessary, except where the failure to do so would not have a material adverse effect on Buyer.

5.2 Authority and Enforceability . Buyer has the requisite power and authority to enter into this Agreement and each Ancillary Agreement to which it is a party and to perform its obligations hereunder and thereunder. Buyer (including its board of directors) has taken all necessary action on its part to authorize the execution and delivery of this Agreement and each Ancillary Agreement to which it is a party, and the performance of its obligations hereunder and thereunder. No vote of Buyer's stockholders is needed to approve this Agreement, each Ancillary Agreement to which Buyer is a party or the transactions contemplated hereby, including the issuance of any shares of common stock to Seller. This Agreement and each Ancillary Agreement to which it is a party has been duly and validly executed and delivered by Buyer, and is the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms.

5.3 No Violation, Etc. The execution and delivery of this Agreement and each Ancillary Agreement to which it is a party and the performance of the obligations hereunder and thereunder by Buyer does not and will not (a) violate or conflict with any provision of the charter documents of Buyer, (b) violate, or conflict with, or result in a breach of any provision of, or constitute a default or give rise to any right of termination, cancellation or acceleration (with the passage of time, notice or both) under any agreement, lease, instrument, obligation, understanding or arrangement, oral or written, to which Buyer or its Affiliate is a party or by which any of Buyer's properties or assets is subject, or (c) violate any Applicable Law which Buyer or any of its properties or assets are subject.

5.4 No Consents and Approvals . No permit, consent, approval or authorization of, or notice, declaration, filing or registration with, any governmental authority or Third Party is or will

be necessary in connection with the execution and delivery by Buyer of this Agreement and each Ancillary Agreement to which it is a party or the performance by Buyer of its obligations hereunder and thereunder.

5.5 Brokers, Finders, Etc. Buyer has not entered into any brokerage or other agreement contemplating commissions or other payments payable upon sale or conveyance of the Assets as provided herein or otherwise upon consummation of the transactions contemplated hereby. All negotiations relating to this Agreement and the transactions contemplated hereby have been carried on without the intervention of any Person acting on behalf of Buyer in such manner as to give rise to any valid claim against Seller for any brokerage or finder's commission, fee, or similar compensation.

5.6 SEC Reporting . Buyer has timely filed all reports, schedules, forms, statements and other documents required to be filed by Buyer (hereinafter " **SEC Reports** ") under the Securities Act of 1933, as amended, and the rules and regulation promulgated thereunder (the " **Securities Act** ") and the Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the " **Exchange Act** "). As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Exchange Act, or the Securities Act, as the case may be, and the rules and regulations of the U.S. Securities and Exchange Commission promulgated thereunder. None of the SEC Reports, including any financial statements or schedules included or incorporated by reference therein (the " **Financial Statements** "), at the time filed or, if amended or superseded by a subsequent filing, as of the date of the last such amendment or superseding filing, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Financial Statements and the related notes have been prepared in accordance with accounting principles generally accepted in the United States, consistently applied, during the periods involved (except (i) as may be otherwise indicated in the Financial Statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes, may be condensed or summary statements or may conform to the SEC's rules and instructions for Quarterly Reports on Form 10-Q) and fairly present in all material respects the consolidated financial position of Buyer and its subsidiaries as of the dates thereof and the consolidated results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

5.7 Financing . Buyer has, and will on the Closing Date have, sufficient funds to consummate the transactions contemplated by this Agreement, and Buyer understands that under the terms of this Agreement, Buyer's consummation of the transactions contemplated hereby is not in any way contingent upon or otherwise subject to (a) Buyer's consummation of any financial arrangements or Buyer's obtaining of any financing or (b) the availability, grant, provision or extension of any financing to Buyer. Buyer has and reasonably expects that Buyer, its Affiliates and/or their respective successors and assigns will maintain for so long as it commercializes the L-

UDCA Product, appropriate financing or sources of liquidity to commercialize the L-UDCA Product in the United States and the rest of the world consistent with the provisions of this Section 3.6(e) ;

5.8 Compliance with Law . Buyer has complied with the Applicable Laws with respect to the development, promotion, marketing and sales of its products, and has conducted, and, to Buyer's knowledge, each of Buyer's contractors or consultants have conducted, all development and commercialization activities related to the development, promotion, marketing and sales of its products with the Applicable Laws, except, in each case, where the failure to comply would not have a material adverse effect on the business, financial condition or results of operation of the Buyer, taken as a whole.

5.9 No Competitive Product . Buyer does not, directly or indirectly, manufacture, produce, market, commercialize or supply any Competitive Product and, as of the Effective Date, has no plans, proposals or strategies to do so.

5.10 Reliance . Buyer recognizes and agrees that, notwithstanding any investigation by Seller, Seller is relying upon the representations and warranties made by Buyer in this **Article 5** . Without limiting the representations or warranties of Seller set forth in **Article 4** or the representations and warranties of Section 5.11 , Buyer or its representatives have inspected and conducted such reasonable review and analysis of the Assets and the L-UDCA Product Inventory and the Assumed Liabilities as desired by Buyer. The purchase of the Assets and L-UDCA Product Inventory and the assumption of the Assumed Liabilities by Buyer and the consummation of the transactions contemplated hereunder by Buyer are not done in reliance upon any warranty or representation by, or information from, Seller or its Affiliates or their respective representatives of any sort, oral or written, except the warranties and representations specifically set forth in this Agreement (including the schedules and exhibits hereto).

5.11 Exclusive Representations and Warranties . Other, than the representations and warranties set forth in this **Article 5** of this Agreement or in any Ancillary Agreement, Buyer is not making any representations or warranties, express or implied.

5.12 No Knowledge of Breach . To the Buyer's knowledge, there exists no fact, circumstance or matter which may constitute a breach of any representation or warranty contained in this Agreement by Seller, including any schedule attached hereto.

5.13 Disclaimer . Buyer acknowledges that Seller makes no representation, warranty or guaranty under this Agreement, including pursuant to the representations and warranties contained in **Article 4** , and expressly disclaims all warranties of any kind, concerning the receipt (if at all) of a L-UDCA NDA or other marketing approval of an L-UDCA Product may be granted (if at all).

ARTICLE 6
COVENANTS AND AGREEMENTS

6.1 Additional Deliveries . For no additional consideration, from time to time, on and after the Closing Date, at Buyer's reasonable request, Seller shall, and shall cause its Affiliates to, execute and deliver such additional or confirmatory instruments, documents of conveyance, endorsements, assignments and acknowledgments as are reasonably necessary to evidence or vest in Buyer sole and exclusive title in and to the Assets.

6.2 Additional Assistance . For no additional consideration, from time to time, on and after the Closing Date, at Buyer's request, Seller and its Affiliates shall provide reasonable assistance and cooperation to Buyer in connection with the conveyance of the Assets and enforcing and defending statutory protections in and to any L-UDCA Product IP, and Seller hereby irrevocably designates and appoints Buyer as its agent and attorney-in-fact, coupled with an interest, to act for and on Seller's behalf to execute and file any document and to do all other lawfully permitted acts to further the foregoing with the same legal force and effect as if executed by Seller.

6.3 Supplemental Disclosure . Seller may until the Closing Date promptly supplement or amend the Seller's Disclosure Schedule with respect to any matter hereafter arising or discovered that, if existing or known at the date of this Agreement, would have been required to be set forth or described in the Seller's Disclosure Schedule. In the event that such supplemented or amended Seller's Disclosure Schedule reflects any event, condition or circumstance occurring or arising that is not otherwise prohibited pursuant to Sections 7.1 or 7.2 and which does not have a material adverse effect on the Assets, then prior to the Closing, the specified representations and warranties made by Seller will be deemed automatically modified to reflect such event as of the date that such event occurs or arises. The delivery of any such supplemented or amended Seller's Disclosure Schedule pursuant to this Section 6.3 will be deemed to have cured any misrepresentation or breach of warranty that otherwise might have existed hereunder by reason of such event, condition or circumstance and Buyer will not be entitled to terminate this Agreement nor will any Indemnitee of Buyer have any claim to indemnification or reimbursement for any such event.

ARTICLE 7
CONDITIONS PRECENDENT; CLOSING DATE

7.1 Conditions Precedent of Buyer and Seller . Each of the Party's obligations to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver, at or prior to the Closing Date, of each of the following conditions precedent:

(a) No Injunctions or Restraints . No temporary restraining order, preliminary or permanent injunction or other material legal restraint or prohibition issued or promulgated by a governmental authority preventing the consummation of the transactions contemplated by this Agreement shall be in effect, and there shall not be any Applicable Law that makes consummation of the transactions contemplated by this Agreement illegal.

(b) No Governmental Litigation . There shall not be any litigation, proceeding, arbitration, or known investigation commenced by a governmental authority seeking to prohibit,

limit, delay, or otherwise restrain the consummation of this Agreement and the transactions contemplated by this Agreement.

7.2 Buyer's Conditions Precedent . The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver, at or prior to the Closing Date, of each of the following conditions precedent:

(a) Accuracy of Representations . Each of the representations and warranties made by Seller in this Agreement shall be true and correct in all material respects at and as of the Closing Date (or, if made as of a specified period or date, as of such period or date), except to the extent that such representations and warranties are qualified by the term "material", or words of similar import, in which case such representations and warranties (as so written, including the terms "material", or words of similar import) shall be true and correct in all respects at and as of the Closing Date (or, if made as of a specified period or date, as of such period or date), and the Seller shall have delivered to Buyer a certificate certifying to the effect of the foregoing.

(b) Performance of Covenants . All of the covenants and obligations that Seller is required to comply with or to perform at or prior to the Closing Date shall have been complied with and performed in all material respects, and the Seller shall have delivered to Buyer a certificate certifying to the effect of the foregoing has been satisfied.

(c) Transaction Documents . Seller shall have executed and delivered to Buyer all Ancillary Agreements to which it is a party.

(d) Required Consents . Seller shall have obtained and delivered to Buyer all consents, approvals, or waivers, if any, listed on **Schedule 7.2(d)** of the Seller's Disclosure Schedules.

(e) Supply Agreement . Seller agrees for a period of […***…] commencing on the Effective Date to assist Buyer at Buyer's request in establishing a supply chain for the supply of UDCA in bulk, if, and only if, the relationship with Vifor SA is terminated.

7.3 Seller's Conditions Precedent . The obligations of Seller to consummate the transactions contemplated by this Agreement are subject to the satisfaction or waiver, at or prior to the Closing Date, of each of the following conditions precedent:

(a) Accuracy of Representations . Each of the representations and warranties made by Buyer in this Agreement shall be true and correct in all material respects at and as of the Closing Date (or, if made as of a specified period or date, as of such period or date), except to the extent that such representations and warranties are qualified by the term "material", or words of similar import, in which case such representations and warranties (as so written, including the terms "material", or words of similar import) shall be true and correct in all respects at and as of the Closing Date (or, if made as of a specified period or date, as of such period or date), and the Buyer shall have delivered to Seller a certificate certifying to the effect of the foregoing.

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(b) Performance of Covenants . All of the covenants and obligations that Buyer is required to comply with or to perform at or prior to the Closing Date shall have been complied with and performed in all material respects, and the Buyer shall have delivered to Seller a certificate certifying to the effect of the foregoing has been satisfied.

(c) Transaction Documents . Buyer shall have executed and delivered to Seller all Ancillary Agreements to which it is a party.

(d) Closing Date Payment . Buyer shall have made the Closing Date Payment in accordance with Section 3.2 .

(e) U.S. Commercialization Plan . Buyer shall have delivered to Seller at or immediately prior to Closing, the U.S. Commercialization Plan for the second half of 2016 and for calendar year 2017.

7.4 Closing Date . The consummation of the transactions contemplated by this Agreement (the " **Closing** ") shall be conducted telephonically and/or via email, facsimile transfer or other similar means of correspondence on such date to be mutually agreed upon by Buyer and Seller, which date shall be no later than the third business day after all of the conditions set forth in Sections 7.1 , 7.2 and 7.3 of this Agreement have been satisfied or waived (other than those conditions which, by their terms, are intended to be satisfied at the Closing), or at such other time and place as Buyer and Seller shall mutually agree. The date on which the Closing actually takes place is referred to in this Agreement as the " **Closing Date.** "

ARTICLE 8
INDEMNIFICATION

8.1 By Seller . From and after the Closing Date, to the extent provided in, and subject to the limitations set forth in, this **Article 8** , Seller shall indemnify, defend and hold harmless Buyer and its Affiliates and their respective officers, directors, employees, agents, successors and assigns (the " **Buyer Indemnitee Group** ") from and against any Third Party claims, suits or proceedings and any damages and/or liabilities therefrom or settlement thereof (including reasonable fees of attorneys and court costs) (collectively, " **Losses** ") to the extent arising out of or related to (a) any breach of any representation, warranty made by Seller contained in herein, (b) any breach in the performance of any covenant or agreement of Seller contained in this Agreement, (c) any payment obligations under any "bulk transfer" law or similar Applicable Law applicable to the transfer of the Assets to Buyer, and (d) any Excluded Liability.

8.2 By Buyer . From and after the Closing Date, to the extent provided in this **Article 8** , Buyer shall indemnify, defend and hold harmless Seller and its Affiliates and their respective officers, directors, employees, agents, successors and assigns (the " **Seller Indemnitee Group** " and together with the Buyer Indemnitee Group, the " **Indemnitee Groups** " and each, and " **Indemnitee Group** ") from and against any Losses to the extent arising out of or related to (a) any breach of any

representation, warranty made Buyer contained in this Agreement, (b) any breach in the performance of any covenant or agreement of Buyer contained in this Agreement, (c) any Losses arising out of the failure of Buyer or any of its Affiliates to comply with Applicable Laws with respect to the marketing, promotion and commercialization of the L-UDCA Product from and after the Closing Date, and (d) any Assumed Liability.

8.3 Indemnification Procedures . A Party (the " **Indemnitee** ") that intends to claim indemnification under this **Article 8** shall promptly notify the other Party (the " **Indemnitor** ") in writing of any action, claim or liability in respect to which the Indemnitee or any member of its Indemnitee Group intends to claim such indemnification. The Indemnitee shall permit and shall cause its employees and agents to permit, the Indemnitor, at its discretion, to settle any such action, claim or liability and agrees to the complete control of such defense or settlement by the Indemnitor; provided, however, that such settlement does not materially and adversely affect the Indemnitee's rights hereunder or impose an injunction or equitable relief against the Indemnitee or to compel the Indemnitee to take any action. No such action, claim or liability shall be settled by the Indemnitee without the prior written consent of the Indemnitor (which consent shall not be unreasonably withheld, delayed or conditioned), and the Indemnitor shall not be responsible for any fees or other costs incurred other than as provided herein. The Indemnitee, its employees, agents and Affiliates shall cooperate fully with the Indemnitor and its legal representatives in the investigation and defense of any action, claim or liability covered by this indemnification. The Indemnitee shall have the right, but not the obligation to be represented by counsel of its own selection at its own expense.

8.4 Limitations on Indemnification .

(a) The representations, warranties and covenants of the Parties in this Agreement shall survive the Closing Date and continue in full force and effect for a period of twelve (12) months thereafter; provided that (i) claims related to breaches by Seller of the representations and warranties contained in Section 4.16(a) […***…], (ii) claims related to fraud or willful or intentional misconduct shall survive the Closing Date until the expiration of the date on which the statute of limitations otherwise applicable to such claims has expired, and (iii) any covenants or agreements contained in this Agreement that by their terms are to be performed after the Closing Date shall survive until fully discharged. For the avoidance of doubt, Retrophin's obligations to make any Contingent Payment or Royalty payment contemplated by the covenants set forth in Sections 3.3 or 3.4 , respectively, shall survive the Closing Date for so long as Retrophin has Net Revenues or Product is otherwise sold.

(b) The Seller shall not be obligated to provide indemnification for Losses in respect of claims made under Section 8.1 unless and until the aggregate of the Losses exceeds […***…] ([…***…]) (the " **Basket** "), after which point Seller shall be liable for all such Losses dollar for dollar in excess of the Basket, but only to the extent that such aggregate Losses do not exceed […***…] ([…***…]) (the " **Cap Amount** "); provided, however, that the Basket and Cap Amount shall not apply, and all Losses of the Buyer Indemnitee Group shall be immediately subject to

indemnification, in respect of any Loss (but shall not exceed […***…] ([…***…]) in the aggregate with respect to (i) claims related to any breach of any representation and warranty contained in Sections 4.2 , 4.10(a) , 4.10(b) , 4.16(a) and 4.16(b) (but solely to the extent that breaches by Seller of the representations and warranties contained in Section 4.16(a) […***…], such that any and all other breaches by Seller of the representations and warranties contained in Section 4.16(a) shall be subject to the Basket and Cap Amount) (ii) claims related to fraud or willful or intentional misconduct, or (iii) claims made under Section 8.1(c) or (d) ; provided, further, that any and all such Losses of the Buyer Indemnitee Group described in the foregoing proviso shall be applied against the Cap for purposes of calculating the Seller's aggregate liabilities under this Section 8.4(b) . In no event shall the Seller be liable for Losses under this Agreement in an aggregate amount greater than […***…] ([…***…]).

(c) The amount of any and all Losses will be determined net of any amounts recovered by the Buyer Indemnitee Group under insurance policies (net of any deductible or self-insurance retention amounts and any increases in premiums resulting therefrom) and any indemnity, contribution or similar payment actually recovered by the Buyer Indemnitee Group thereof from any Third Party with respect to such Losses. Each Indemnitee Group shall use commercially reasonable efforts to mitigate all Losses suffered by it which are subject to indemnification hereunder.

(d) No Indemnity Group shall be entitled to indemnification pursuant this **Article 8** for punitive damages, lost profits, consequential, exemplary or special damages. No Indemnitee Group shall be entitled to any duplicative recovery for the same Loss under this **Article 8** to the extent that any such member of such Indemnitee Group has been expressly compensated for such Loss.

(e) All indemnification payments made pursuant to this **Article 8** shall be treated for tax purposes as adjustments to the Consideration unless otherwise required by Applicable Law.

8.5 Exclusive Remedy . The Parties acknowledge and agree that, except with respect to claims based on fraud or intentional or willful misrepresentation, claims involving specific performance or other equitable remedies or relief permitted under this Agreement or the Ancillary Agreements, claims involving Buyer's failure to make any payment when due under **Article 3** , or claims involving a breach of Buyer's obligations pursuant to Section 3.6(e) , the foregoing indemnification provisions in this **Article 8** shall be the exclusive remedy for any breach of this Agreement or the Ancillary Agreements and any claims with respect to the transactions contemplated hereby.

ARTICLE 9
TERMINATION

9.1 Termination Prior to Closing Date . Notwithstanding any contrary provisions of this Agreement, the respective obligations of the Parties hereto to consummate the transactions

contemplated by this Agreement may be terminated and abandoned at any time at or before the Closing Date only as follows:

(a) At any time, without liability of any Party to the others, upon the mutual written consent of the Buyer and Seller

(b) By either Buyer or Seller, if Seller, on the one hand, or Buyer, on the other hand, has materially breached any representation, warranty, covenant or agreement contained herein (provided that such breach is not the result of any breach of any covenant, representation or warranty by the terminating Party), which breach has not been cured within 30 calendar days following written notice of such breach by the terminating Party, and such breach renders the conditions precedent to the terminating Party's obligation to consummate the transactions contemplated by this Agreement, set forth in **Article 7** incapable of being satisfied.

9.2 Effect of Termination . In the event of the termination of this Agreement as provided in Sections 9.1 , written notice thereof shall forthwith be given to the other party hereto specifying the provision hereof pursuant to which such termination is made, and this Agreement shall forthwith become null and void (except for the provisions of this Section 9.3 , any payment made pursuant to Section 3.2 , which Seller shall be entitled to retain, **Article 10** and **Article 11** , which shall survive any such termination and, in the case of termination of this Agreement pursuant to Section 9.2 , the additional reversion by Buyer to Seller of all right, title and interest and to the Assets to Seller) and there shall be no liability on the part of Buyer or Seller, except for (a) in the case of termination of this Agreement pursuant to Section 9.2 , any rights of Seller to reversion by Buyer to Seller of all right, title and interest and to the Assets to Seller, or (b) damages resulting from any breach of this Agreement or any Ancillary Agreement by Buyer or Seller.

ARTICLE 10
DISPUTE RESOLUTION

10.1 Consent to Jurisdiction; Venue; Service of Process . Each Party hereto, by its execution hereof, (i) hereby irrevocably submits to the exclusive jurisdiction of any New York federal court sitting in the Borough of Manhattan of The City of New York for the purpose of any claim, action, suit, or proceeding among the Parties arising in whole or in part under or in connection with this Agreement (a " **Dispute** "); provided, however, that if such federal court does not have jurisdiction over such Dispute, such Dispute shall be heard and determined exclusively in any New York state court sitting in the Borough of Manhattan of The City of New York, (ii) hereby waives to the extent not prohibited by Applicable Law, and agrees not to assert, by way of motion, as a defense or otherwise, in any such Dispute, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that any such Dispute brought in one of the above-named courts should be dismissed on grounds of *forum non conveniens* , should be transferred or removed to any court other than one of the above-named courts, or should be stayed by reason of the pendency of some other proceeding in any other

court other than one of the above-named courts, or that this Agreement or any of the other Ancillary Agreements or the subject matter hereof and thereof may not be enforced in or by such court, and (iii) hereby agrees to commence any such Dispute only before one of the above-named courts. Notwithstanding the immediately preceding sentence, a party may commence any Dispute in a court other than the above-named courts solely for the purpose of enforcing an order or judgment issued by one of the above-named courts.

10.2 Waiver of Jury Trial . TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, THE PARTIES HERETO HEREBY WAIVE, AND COVENANT THAT THEY WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY DISPUTE ARISING IN WHOLE OR IN PART UNDER OR IN CONNECTION WITH THIS AGREEMENT, THE OTHER ANCILLARY AGREEMENTS OR ANY OF THE CONTEMPLATED TRANSACTIONS, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES HERETO AGREE THAT ANY OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE ITS RIGHT TO TRIAL BY JURY. ANY DISPUTE WHATSOEVER AMONG THEM RELATING TO THIS AGREEMENT, THE OTHER ANCILLARY AGREEMENTS OR ANY OF THE CONTEMPLATED TRANSACTIONS SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

10.3 Consent to Service of Process . Each Party hereto hereby agrees that service of any process, summons, notice or document by U.S. registered mail, return receipt requested, at its address specified pursuant to Section 11.8 shall constitute good and valid service of process in any Dispute among the Parties hereto arising in whole or in part under or in connection with this Agreement or any other Ancillary Agree, and each Party hereto hereby waives and agrees not to assert (by way of motion, as a defense, or otherwise) in any such Dispute any claim that service of process made in accordance with this Section 10.3 does not constitute good and valid service of process.

ARTICLE 11
MISCELLANEOUS

11.1 Confidentiality .

(a) Each Party will treat as confidential the Confidential Information of the other Party, and will take all necessary precautions to assure the confidentiality of such Confidential Information. Each Party agrees to return to the other Party upon the expiration or termination of this Agreement all Confidential Information acquired from such other Party, except as to such information it may be required to retain under Applicable Laws, and except for one copy of such information to be retained by such Party solely to enable it to assess its compliance with the confidentiality provisions

of this Section 11.1 . From and after the Effective Date, neither Party shall, without the other Party's express prior written consent, use or disclose any such Confidential Information for any purpose other than to carry out its obligations hereunder. Each Party, prior to disclosure of Confidential Information of the other Party to any employee, consultant or advisor shall ensure that such Person is bound in writing to observe the confidentiality such Party's Confidential Information on terms no less restrictive than those contained herein. The obligations of confidentiality shall not apply to Confidential Information that the receiving Party is required by law or regulation to disclose, provided however that the receiving Party shall so notify the disclosing Party of its intent and cooperate with the disclosing Party on reasonable measures to protect the confidentiality of the Confidential Information. For the avoidance of doubt, either Party may disclose the terms of this Agreement to the extent required, in the reasonable opinion of such Party's legal counsel, to comply with applicable laws, including, without limitation, the rules and regulations promulgated by the United States Securities and Exchange Commission. Notwithstanding the foregoing, before disclosing this Agreement or any of the terms hereof pursuant to this Section 11.1(a) , such Party so required to disclose the terms of this Agreement will consult with the other on the terms of this Agreement to be redacted in making any such disclosure. If such disclosing Party discloses this Agreement or any of the terms hereof in accordance with this Section 11.1(a) , such disclosing Party agrees, at its own expense, to seek confidential treatment of portions of this Agreement or such terms, as may be reasonably requested by the other. Seller hereby acknowledges and agrees that any Confidential Information of Seller on or before the Closing Date included in the Assets shall be Buyer's Confidential Information after the Closing Date.

(b) No public announcement, news release, statement, publication, or presentation relating to the existence of this Agreement, the subject matter hereof, or either Party's performance hereunder will be made without the other Party's prior written approval, which approval shall not be unreasonably withheld or delayed. The Parties shall not make any joint announcement, news release, statement, publication, or presentation relating to the existence of this Agreement, the subject matter hereof, or either Party's performance hereunder, which such announcements, news releases, statements, publications, or presentations shall solely be made separately. If a Party desires to announce or make any news release, statement, publication, or presentation relating to the existence of this Agreement, the subject matter hereof, or either Party's performance hereunder and such public announcement, news release, statement, publication, or presentation contains Confidential Information of the other Party, then at least five days in advance of making any such public announcement, news release, statement, publication, or presentation, such Party shall provide a complete copy thereof to the other for its review and prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed. If the other Party fails to object in writing to all or any portion of such public announcement, news release, statement, publication, or presentation containing Confidential Information of the other Party within five days after being requested to consent thereto, then such Party shall be deemed to have consented to such public announcement, news release, statement, publication, or presentation containing such Confidential Information in whole upon expiration of such 5-day period.

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11.2 Counterparts . This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute a single document.

11.3 Entire Agreement . This Agreement, and the Exhibits and Schedules referenced herein, the Ancillary Agreements and the other specific agreements contemplated herein or thereby, contain the entire agreement between the Parties with respect to the subject matter hereof and supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter.

11.4 Exhibits and Schedules . The Exhibits and Schedules referenced herein and attached hereto are incorporated into this Agreement by reference.

11.5 Governing Law . This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of New York irrespective of the choice of laws principles of the State of New York.

11.6 Assignability . This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. No Party may assign its respective rights or delegate its respective obligations under this Agreement without the express prior written consent of the other Party; provided that either Party may assign or transfer this Agreement, to an Affiliate (provided the assigning Party remains liable hereunder), as provided in **Section 3.7** or to any Third Party in connection with the sale or transfer of the business to which this Agreement relates. Without limiting the foregoing, and for the avoidance of doubt, Buyer may assign or transfer this Agreement, in whole or in part to any Third Party in connection with the sale, license or transfer of any of Buyer's rights in the Product.

11.7 Third Party Beneficiaries . Nothing in this Agreement shall be deemed to create any third party beneficiary rights in or on behalf of any other Person.

11.8 Notices . All notices required to be given hereunder shall be in writing and shall be given by Personal delivery, by an internationally recognized overnight carrier or by registered or certified mail, postage prepaid with return receipt requested or by email or facsimile transmission. All notices hereunder shall be addressed as follows:

If to Buyer, to: Retrophin, Inc.
12255 El Camino Real
Suite 250
San Diego, CA 92130
Attention: General Counsel

If to Seller, to: Asklepion Pharmaceuticals, LLC
729 East Pratt St
Suite 360

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Maryland 21202, USA
Attn: Gary R. Pasternack — Chief Executive Officer

Any Party may, by notice to the other Parties given in the form specified in this Section 11.8 , change the address to which such notices are to be given. Notices delivered Personally shall be deemed communicated as of actual receipt; notices sent via overnight courier shall be deemed received three Business days following sending; notices mailed shall be deemed communicated as of seven (7) business days after mailing; and notices transmitted by email or facsimile transmission shall be deemed received upon return email or electronic facsimile acknowledgement of receipt.

11.9 Severability . If any provision of this Agreement shall be held invalid, illegal or unenforceable, the validity, legality or unenforceability of the other provisions of this Agreement shall not be affected thereby, and there shall be deemed substituted for the provision at issue a valid, legal and enforceable provision as similar as possible to the provision at issue.

11.10 Survival . Except as expressly set forth herein, the covenants, representations and warranties contained in this Agreement, and liability for the breach of any obligations contained herein, shall survive the Closing Date and shall remain in full force and effect.

11.11 No Implied Waiver . No failure or delay on the part of the Parties hereto to exercise any right, power or privilege hereunder or under any instrument executed pursuant hereto shall operate as a waiver; nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

11.12 Amendments . Any amendment or modification of this Agreement shall only be valid if made in writing and signed by the Parties hereto.

11.13 Independent Contractors . The relationship between Seller on the one hand and Buyer on the other had is that of independent contractors and nothing herein shall be deemed to constitute the relationship of partners, joint venturers nor of principal and agent between Seller on the one hand and Buyer on the other hand.

11.14 Expenses . Except as expressly set forth herein, each Party shall pay all of its own fees and expenses (including all legal, accounting and other advisory fees) incurred in connection with the negotiation and execution of this Agreement and the arrangements contemplated hereby.

11.15 Representation By Counsel; Interpretation . Seller and Buyer each acknowledge that it has been represented by its own legal counsel in connection with this Agreement and the transactions contemplated by this Agreement. Accordingly, any rule of law, or any legal decision that would require interpretation of any claimed ambiguities in this Agreement against the Party that drafted it, has no application and is expressly waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the intent of Seller and Buyer.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the Parties, intending to be bound hereby, have executed this Agreement as of the date first written above.

" **Buyer** "

RETROPHIN, INC.

By: /s/Laura Clague
Name: Laura Clague
Title: CFO

"Seller"

ASKLEPION PHARMACEUTCALS, LLC

By: /s/Gary Pasternack

Name: Gary Pasternack
Title: Chief Executive Officer

By: /s/Jeff Courtney

Name: Jeff Courtney
Title: Chief Operating Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a) OR 15d-14(a)

I, Stephen Aselage, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Retrophin, 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: August 4, 2016

/s/ Stephen Aselage

Stephen Aselage
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a) OR 15d-14(a)

I, Laura Clague, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Retrophin, 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: August 4, 2016

/s/ Laura Clague

Laura Clague
Chief Financial Officer
(Principle Financial Officer)

Exhibit 32.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-Q of Retrophin, Inc. (the "Company"), for the period ending March 31, 2016 (the "Report"), the undersigned officer of the Company hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

1. The 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 the Report, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2016

/s/ Stephen Aselage

Stephen Aselage
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-Q of Retrophin, Inc. (the "Company"), for the period ending March 31, 2016 (the "Report"), the undersigned officer of the Company hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

1. The 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 the Report, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2016

/s/ Laura Clague

Laura Clague
Chief Financial Officer
(Principal Financial Officer)