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TOBIRA THERAPEUTICS, INC.

FORM 8-K/A
(Amended Current report filing)

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

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): May 4, 2015

Tobira Therapeutics, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**001-35953**	**03-0422069**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

701 Gateway Blvd, Suite 300 **South San Francisco, CA**	**94080**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (650) 741-6625

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Introduction

On May 7, 2015, Tobira Therapeutics, Inc. (f/k/a Regado Biosciences, Inc.), a Delaware corporation (the "Company"), filed a Current Report on Form 8-K announcing that on May 4, 2015, the Company completed its business combination with Tobira Therapeutics, Inc., a privately held Delaware corporation ("Private Tobira"), in accordance with the terms of an Agreement and Plan of Merger and Reorganization, dated as of January 14, 2015, as amended on January 23, 2015, by and among the Company, Private Tobira, Landmark Merger Sub Inc., a Delaware corporation and wholly-owned subsidiary of the Company, and Brent Ahrens, as the Company's stockholders' agent (the "Merger"). Upon completion of the Merger, there were 17,422,927 shares of the Company's stock outstanding. The Current Report on Form 8-K filed on May 7, 2015 is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The unaudited interim financial statements of Private Tobira, including Private Tobira's unaudited condensed balance sheet as of March 31, 2015, Private Tobira's condensed balance sheet derived from audited financial statements as of December 31, 2014, unaudited condensed statements of operations and comprehensive loss for the three months ended March 31, 2015 and 2014, unaudited condensed statements of cash flows for the three months ended March 31, 2015 and 2014 and the notes related thereto are filed as Exhibit 99.1 and are incorporated herein by reference.

The audited financial statements of Private Tobira, including Private Tobira's audited balance sheets as of December 31, 2014 and 2013, statements of operations and comprehensive loss for the years ended December 31, 2014 and 2013, statements of convertible preferred stock and stockholders' deficit for the years ended December 31, 2014 and 2013, statements of cash flows for the years ended December 31, 2014 and 2013, the notes related thereto and the related independent registered public accounting firm's report are filed as Exhibit 99.2 and are incorporated herein by reference.

The unaudited pro forma combined financial information of the Company, including the unaudited pro forma combined balance sheet as of March 31, 2015, the unaudited pro forma combined statement of operations for the three months ended March 31, 2015, the unaudited pro forma combined statement of operations for the year ended December 31, 2014 and the notes related thereto are filed as Exhibit 99.3 and are incorporated herein by reference.

(d) Exhibits.

Exhibit No.	Description
23.1	Consent of Independent Registered Public Accounting Firm
99.1	Unaudited Interim Financial Statements of Tobira Therapeutics, Inc. Condensed Balance Sheets as of March 31, 2015 and December 31, 2014 Condensed Statements of Operations and Comprehensive Loss for the Three Months Ended March 31, 2015 and 2014 Condensed Statements of Cash Flows for the Three Months Ended March 31, 2015 and 2014 Notes to Condensed Financial Statements (Unaudited)
99.2	Audited Financial Statements of Tobira Therapeutics, Inc. Report of Independent Registered Public Accounting Firm Balance Sheets as of December 31, 2014 and 2013 Statements of Operations and Comprehensive Loss for the Years Ended December 31, 2014 and 2013 Statements of Convertible Preferred Stock and Stockholders' Deficit for the Years Ended December 31, 2014 and 2013 Statements of Cash Flows for the Years Ended December 31, 2014 and 2013 Notes to Financial Statements
99.3	Unaudited Pro Forma Combined Financial Statements of Tobira Therapeutics, Inc. Balance Sheet as of March 31, 2015 Statement of Operations for the Three Months Ended March 31, 2015 Statement of Operations for the Year Ended December 31, 2014 Notes to the Unaudited Pro Forma Combined Financial Statements

* * *

SIGNATURES

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

TOBIRA THERAPEUTICS, INC.

By: /s/ Laurent Fischer
Name: Laurent Fischer, M.D.
Title: Chief Executive Officer

Date: June 2, 2015

EXHIBIT INDEX

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Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-194513 and 333-191672) pertaining to the Regado Biosciences, Inc. 2013 Equity Compensation Plan and in the related Prospectus of our report dated March 4, 2015, with respect to the financial statements of Tobira Therapeutics, Inc., included in this Current Report on Form 8-K/A of Tobira Therapeutics, Inc. filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Redwood City, California
June 2, 2015

Exhibit 99.1

TOBIRA THERAPEUTICS, INC.

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TOBIRA THERAPEUTICS, INC.
CONDENSED BALANCE SHEETS
(In thousands, except share and per share data)

	March 31, 2015 (Unaudited)	December 31, 2014 (Note 2)
Assets		
Current assets:		
Cash and cash equivalents	$ 13,177	$ 6,178
Prepaid expenses and other current assets	288	1,013
Total current assets	13,465	7,191
Property and equipment, net	466	474
Restricted cash	334	334
Other assets	329	347
Total assets	$ 14,594	$ 8,346
Liabilities, convertible preferred stock and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 1,788	$ 1,887
Accrued expenses and other liabilities	8,453	6,503
Capital lease obligation	23	21
Deferred rent	55	57
Term loan	1,066	—
Convertible notes, related party	35,944	29,770
Convertible notes	7,000	—
Total current liabilities	54,329	38,238
Capital lease obligations	33	40
Deferred rent	211	219
Term loan	13,799	14,789
Preferred stock warrant liabilities	424	2,460
Total liabilities	68,796	55,746
Commitments and contingencies		
Series A, noncumulative convertible preferred stock, par value $0.0001; 1,043,011 shares authorized at March 31, 2015 and December 31, 2014; 994,866 issued and outstanding at March 31, 2015 and December 31, 2014; liquidation value of $31,000 at March 31, 2015 and December 31, 2014	30,908	30,908
Series B, noncumulative convertible preferred stock, par value $0.0001; 5,133,477 shares authorized at March 31, 2015 and December 31, 2014; 2,151,722 issued and outstanding at March 31, 2015 and December 31, 2014; liquidation value of $54,600 at March 31, 2015 and December 31, 2014	31,074	31,074
Stockholders' deficit:		
Common stock, par value $0.0001; 8,456,867 shares authorized at March 31, 2015 and December 31, 2014; 282,157 shares issued and outstanding at March 31, 2015 and December 31, 2014	—	—
Additional paid-in capital	4,608	4,378
Accumulated other comprehensive income (loss)	—	—
Accumulated deficit	(120,792)	(113,760)
Total stockholders' deficit	(116,184)	(109,382)
Total liabilities, convertible preferred stock and stockholders' deficit	$ 14,594	$ 8,346

See accompanying notes to unaudited condensed financial statements.

TOBIRA THERAPEUTICS, INC.
CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)
(In thousands, except share and per share data)

	Three Months Ended March 31,	
	2015	**2014**
Operating expenses		
Research and development	$ 5,671	$ 1,669
General and administrative	2,152	869
Total operating expenses	7,823	2,538
Loss from operations	(7,823)	(2,538)
Other income (expense), net		
Interest expense	(1,245)	(1,015)
Change in fair value of preferred stock warrant liabilities	2,036	723
Loss before income tax expense	(7,032)	(2,830)
Income tax expense	—	—
Net loss and comprehensive loss	$ (7,032)	$ (2,830)
Net loss per share, basic and diluted	$ (24.92)	$ (10.03)
Weighted-average common shares outstanding, basic and diluted	282,157	282,157

See accompanying notes to unaudited condensed financial statements.

TOBIRA THERAPEUTICS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2015	**2014**
Operating activities		
Net loss	$ (7,032)	$ (2,830)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	30	4
Stock-based compensation	230	144
Amortization of debt discount	226	187
Change in fair value of preferred stock warrant liabilities	(2,036)	(723)
Noncash interest expense on convertible notes	721	480
Amortization of beneficial conversion feature	24	325
Amortization of debt issuance costs	11	—
Change in assets and liabilities:		
Prepaid expenses and other assets	769	(50)
Accounts payable and accrued expenses	1,093	660
Deferred rent	(10)	—
Net cash used in operating activities	(5,974)	(1,803)
Investing activities		
Purchase of property and equipment	(22)	(12)
Net cash used in investing activities	(22)	(12)
Financing activities		
Proceeds from convertible notes	13,000	8,000
Payments on term loan	—	(500)
Payments on capital lease obligations	(5)	—
Net cash provided by financing activities	12,995	7,500
Net increase in cash and cash equivalents	6,999	5,685
Cash and cash equivalents at beginning of period	6,178	4,088
Cash and cash equivalents at end of period	$ 13,177	$ 9,773
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 262	$ 25
Noncash activities:		
Accrued financing costs	$ 38	$ —
Issuance of warrants — term loan and convertible notes, related party	$ —	$ 619
Reclassification of stock award liability from equity upon modification	$ —	$ 399
Accrued deferred initial public offering costs	$ —	$ 449

See accompanying notes to unaudited condensed financial statements.

TOBIRA THERAPEUTICS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF BUSINESS

Tobira Therapeutics, Inc. (the Company) was incorporated in the State of Delaware on September 11, 2006 (inception), and is headquartered in South San Francisco, California. The Company is a clinical-stage biopharmaceutical company focused on the development and commercialization of innovative therapeutics to treat liver disease, human immunodeficiency virus, or HIV-1, fibrosis, and inflammation. Its lead product candidate, cenicriviroc, or CVC, is a proprietary immunomodulator that may be used to treat a number of diseases, including NASH, kidney fibrosis, HIV-1 and others. Since inception, the Company has been engaged in development activities, including devoting substantially all of its efforts to conducting research, product development, recruiting personnel, establishing office facilities and obtaining financing. The Company has not generated any revenues from its planned principal operations and has incurred operating losses through March 31, 2015.

Liquidity and Financial Condition

The Company has experienced recurring net losses and negative cash flows from operating activities since its inception. The Company recorded a net loss of $7.0 million for the three months ended March 31, 2015. As of March 31, 2015, the Company had a working capital deficit of $40.9 million and an accumulated deficit of $120.8 million. We currently estimate that we have sufficient cash resources to meet our anticipated cash needs through at least the next 12 months based on cash and cash equivalents available as of March 31, 2015 and subsequently received (See Note 10). Due to the Company's continuing research and development activities, the Company expects to continue to incur net losses into the foreseeable future. In order to continue these activities, we may need to raise additional funds through future public or private debt and equity financings and/or strategic collaboration and licensing arrangements. Sufficient additional funding may not be available or be available on acceptable terms. If so, we may need to delay, reduce the scope of, and/or put on hold research and development activities while the Company seeks strategic alternatives.

Reverse Merger

On May 4, 2015, Regado Biosciences, Inc., a Delaware corporation (Regado), completed its business combination with Tobira Therapeutics, Inc. (Private Tobira) in accordance with the terms of an Agreement and Plan of Merger and Reorganization, dated as of January 14, 2015, as amended on January 23, 2015 (the Merger Agreement). See Note 10.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and requirements set forth by the Securities and Exchange Commission (SEC) for interim reporting. As permitted under these rules, certain footnotes or other financial information normally required by GAAP may be condensed or omitted. These financial statements have been prepared on the same basis as the Company's annual financial statements and, in the opinion of management, reflect all adjustments including normal and recurring adjustments which the Company considers necessary for the fair presentation of financial information. The results of operations and comprehensive loss for the three months ended March 31, 2015 are not necessarily indicative of expected results for the full fiscal year or any other future period. The condensed balance sheet as of December 31, 2014 has been derived from audited financial statements but does not include all information required by U.S. GAAP for complete financial statements.

The accompanying unaudited condensed financial statements and notes should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2014 included in the definitive proxy statement relating to the Reverse Merger between Regado Biosciences, Inc. and Tobira Therapeutics, Inc. filed on March 24, 2015 with the SEC pursuant to Section 14(a) of the Securities Exchange Act of 1934.

Use of Estimates

The preparation of the Company's financial statements in conformity with GAAP requires management to make informed estimates and assumptions that affect the reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities in the Company's financial statements and accompanying notes. The most significant estimates in the Company's financial statements relate to the valuation of preferred stock warrants, equity awards and clinical trial accruals. Although these estimates are based on the Company's knowledge of current events and actions it may undertake in the future, actual results may ultimately materially differ from these estimates and assumptions.

Reverse Stock Split

On July 28, 2014, the Company effected a 1–26.4065866 reverse stock split of the Company's common stock, convertible preferred stock, preferred stock warrants and options for common stock. The par value was not adjusted as a result of the reverse stock split.

On February 23, 2015, in connection with the reverse stock split on July 28, 2014, the Company filed a correction to its amended articles of incorporation to effect a reverse stock split of its authorized shares of common stock, Series A preferred stock and Series B preferred stock.

As a result of both events noted above, the accompanying condensed financial statements and notes to the condensed financial statements give retroactive effect to the reverse split for all periods presented.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less at the date of purchase as cash equivalents. Cash and cash equivalents primarily represent funds invested in readily available checking and saving accounts, and funds that invest in securities issued or guaranteed as to the principal and interest by the U.S. government. Cash and cash equivalents are recorded at face value or cost, which approximates fair market value. At times, the Company has cash and cash equivalents deposited at financial institutions in excess of federally insured deposit limits. Cash is held on deposit in major financial institutions and is subject to minimal credit risk.

Fair Value of Financial Instruments

Financial assets and liabilities are recorded at fair value. The carrying amounts of certain of our financial instruments, including cash equivalents, accounts payable and accrued expenses, approximate their fair value due to their short term maturities. Based on prevailing borrowing rates available to the Company for loans with similar terms, the Company believes that the fair value of long-term debt approximates its carrying value. The carrying amount of the warrant liability represents its fair value.

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants.

The Company values its assets and liabilities based on observable market prices or inputs. If observable prices or inputs are not available, fair values are measured using unobservable inputs based on the Company's own assumptions about what market participants would use to price the asset or liability.

Fair value measurements are classified within one of three levels in a valuation hierarchy based upon the observability of significant inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical unrestricted assets or liabilities;
- Level 2 inputs for similar assets and liabilities in active markets other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 inputs that are significant to the fair value measurement and unobservable (i.e. supported by little or no market activity), which require the reporting entity to develop its own valuation techniques and assumptions.

Preferred Stock Warrants

The Company has issued freestanding warrants to purchase shares of its convertible preferred stock. The Company accounts for its warrants as either equity or liabilities based upon the characteristics and provisions of each instrument. The warrants are recorded as a liability on the Company's balance sheet at their fair value on the date of issuance and are revalued at each subsequent balance sheet date, with fair value changes recognized as increases or reductions to other income (expense), net in the accompanying condensed statements of operations and comprehensive loss. The warrant liabilities will continue to be re-measured to fair value until such time as the warrants are no longer outstanding or the underlying securities into which the warrants are exercisable no longer contain deemed liquidation provisions that are outside the control of the Company. The Company estimates the fair value of these liabilities using option pricing models and assumptions that are based on the individual characteristics of the warrants or instruments on the valuation date, as well as assumptions for expected volatility, expected life, expected yield, and risk-free interest rate.

Research and Development Expenses

Research and development expenses consist primarily of fees paid to contract research organizations (CROs) and other vendors for clinical, non-clinical and manufacturing services, salaries and related overhead expenses, consultant expenses, costs related to acquiring manufacturing materials and costs related to compliance with regulatory requirements.

The Company recognizes research and development expenses as incurred, typically estimated based on an evaluation of the progress to completion of specific tasks using data such as patient enrollment, clinical site activations, manufacturing steps completed, or information provided by vendors on their actual costs incurred. The Company determines the estimates by reviewing contracts, vendor agreements and purchase orders, and through discussions with internal clinical personnel and external service providers as to the progress or stage of completion of trials or services and the agreed-upon fee to be paid for such services. These estimates are made by the Company as of each balance sheet date based on facts and circumstances known to the Company at that time. If the actual timing of the performance of services or the level of effort varies from the estimate, the Company will adjust the estimate accordingly. Nonrefundable advance payments for goods and services, including fees for process development or manufacturing and distribution of clinical supplies that will be used in future research and development activities, are capitalized as prepaid expenses and recognized as expense in the period that the related goods are consumed or services are performed.

The Company may pay fees to third-parties for clinical, non-clinical and manufacturing services that are based on contractual milestones that may result in uneven payment flows. There may be instances in which payments made to vendors will exceed the level of services provided and result in a prepayment of the research and development expense.

Stock-Based Compensation Expense

For stock options granted to employees, the Company recognizes compensation expense for all stock-based awards based on the grant-date estimated fair value. The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service period. The fair value of stock options is determined using the Black-Scholes option pricing model net of estimated forfeitures. The determination of fair value for stock-based awards on the date of grant using an option pricing model requires management to make certain assumptions regarding a number of complex and subjective variables.

Stock-based compensation expense related to stock options granted to nonemployees is recognized based on the fair value of the stock options, determined using the Black-Scholes option pricing model, as they are earned. The awards generally vest over the time period the Company expects to receive services from the non-employee. Stock options granted to non-employees are subject to periodic revaluation over their vesting terms.

Net Loss Per Share

Basic net loss per common share is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration for potentially dilutive securities. Diluted net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common shares and potentially dilutive securities outstanding for the period determined using the treasury-stock and if-converted methods. The calculation of diluted loss per share also requires that, to the extent the average market price of the underlying shares for the reporting period exceeds the exercise price of the warrants and the presumed exercise of such securities are dilutive to earnings (loss) per share for the period, adjustments to net income or net loss used in the calculation are required to remove the change in fair value of the warrants for the period. Likewise, adjustments to the denominator are required to reflect the related dilutive shares. For purposes of the diluted net loss per share calculation, convertible preferred stock, convertible notes and accrued interest, stock options and preferred stock warrants are considered to be potentially dilutive securities and are excluded from the calculation of diluted net loss per share because their effect would be anti-dilutive. Therefore, basic and diluted net loss per share was the same for the periods presented due to the Company’s net loss position.

The following table sets forth the outstanding potentially dilutive securities that have been excluded in the calculation of diluted net loss per share because including such would be anti-dilutive (in common stock equivalent shares):

	Three Months Ended March 31,	
	2015	**2014**
Convertible preferred stock	3,946,624	3,856,791
Warrants to purchase preferred stock	630,663	594,456
Common stock options	776,636	401,392
Convertible notes	3,301,636	2,222,700
Total	8,655,559	7,075,339

Recent Accounting Pronouncements

In April 2015, the FASB issued ASU 2015-03, *Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* . ASU 2015-03. ASU 2015-03 amends the presentation of debt issuance costs as a direct deduction from the face amount of a liability rather than an asset. Amortization of debt issuance costs is to be reported as interest expense. Additionally, amortization of a discount or premium is to be reported as interest expense in the case of liabilities or interest income in the case of assets. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. For all other entities, the guidance is effective for fiscal years beginning after December 15, 2015 and interim periods with fiscal years beginning after December 15, 2016. Earlier adoption of the amendments is permitted for financial statements that have not been previously issued, and the new guidance shall be applied retrospectively to comparative balance sheets presented. The Company expects to adopt this guidance for its 2016 fiscal year commencing on January 1, 2016 and does not expect adoption to have a material impact on its financial statements.

In August 2014, the Financing Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* , which requires management to evaluate, in connection with preparing financial statements for each annual and interim reporting period, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued and provide related disclosures. This guidance is effective for annual periods ending after December 15, 2016, and, as such, will be applicable to the Company in 2017. Early adoption is permitted. The Company does not expect this standard to have a material impact on its financial statements.

3. FAIR VALUE MEASUREMENTS

The following tables and disclosure present information about the Company's financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2015 and December 31, 2014 and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value (in thousands):

	As of March 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Cash equivalents	$12,050	$ —	$ —	$12,050
Total	$12,050	$ —	$ —	$12,050
Liabilities				
Preferred stock warrant liabilities	$ —	$ —	$ 424	$ 424
Total	$ —	$ —	$ 424	$ 424

	As of December 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Cash equivalents	$ 4,800	$ —	$ —	$ 4,800
Total	$ 4,800	$ —	$ —	$ 4,800
Liabilities				
Preferred stock warrant liabilities	$ —	$ —	$2,460	$ 2,460
Total	$ —	$ —	$2,460	$ 2,460

The carrying amounts of the Company's financial instruments, including cash, restricted cash, deposits, accounts payable, and accrued expenses and other liabilities, approximate fair value due to their short maturities. The Company's lease obligation, term loan and convertible notes have fair values that approximate their carrying value based on prevailing borrowing rates available to the Company for loans with similar terms. Financial assets and liabilities, which are measured or disclosed at fair value on a recurring basis and are classified within the Level 3 designation, consist of preferred stock warrant liabilities. None of the Company's non-financial assets or liabilities is recorded at fair value on a non-recurring basis for the periods presented. There were no transfers between levels within the fair value hierarchy during the periods presented.

The following table provides a reconciliation of liabilities measured at fair value using Level 3 significant unobservable inputs (in thousands):

	Three Months Ended March 31, 2015	Year Ended December 31, 2014
Balance, beginning of period	$ 2,460	$ 2,773
Issuance of preferred stock warrants	—	868
Reclassification of stock award liability from equity upon modification	—	399
Reclassification of stock award liability to equity upon expiration	—	(299)
Change in fair value of stock award liability	—	(107)
Change in fair value of preferred stock warrant liabilities (a)	(2,036)	(1,181)
Balance, end of period	$ 424	$ 2,460

(a) Changes in fair value of the preferred stock warrant liabilities are recorded in other income (expense), net on the Statements of Operations and Comprehensive Loss.

The significant unobservable inputs used to determine the fair value of preferred stock warrant liabilities using an option-pricing model and the weighted average assumptions used in determining the fair value of the outstanding preferred stock warrant liabilities were as follows:

	As of March 31, 2015	As of December 31, 2014
Risk-free interest rate	1.34%	0.13%
Expected dividend yield	— %	— %
Expected price volatility	66%	107%
Expected term (in years)	4.8	0.8

The details of the preferred stock warrants outstanding as of March 31, 2015 and December 31, 2014 and the fair values on date of issuance are provided in Note 5.

4. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following (in thousands):

	As of March 31, 2015	As of December 31, 2014
Clinical trial expenses	$ 1,832	$ 478
Research and development	574	235
Compensation expense	495	928
Professional services	677	709
Loan interest	4,875	4,153
Total accrued expenses and other liabilities	$ 8,453	$ 6,503

5. DEBT AND PREFERRED STOCK WARRANTS

2010 Convertible Notes

During March and July 2010, the Company issued convertible notes (the 2010 Notes) in aggregate principal amount of $9.0 million. The 2010 Notes were due and payable one year after the issuance date, if not converted, and accrued interest at a rate of 8% per annum. In conjunction with the issuance of the 2010 Notes, the Company issued to the holders of the 2010 Notes freestanding warrants to purchase 68,961 Series B preferred stock (the 2010 Warrants), which are contingently exercisable upon satisfaction of certain conditions.

In August 2010, the outstanding principal and accrued and unpaid interest on the 2010 Notes were converted into 634,472 shares of Series B preferred stock. In addition, the 2010 Warrants became exercisable at an exercise price of $14.50 per share. As of March 31, 2015, none of these warrants have been exercised.

2012 and 2013 Convertible Notes

On July 30, 2012, the Company entered into a Note and Warrant Purchase Agreement (the 2012 Convertible Note Agreement) for the issuance of convertible notes up to an aggregate principal amount of $17.0 million. In a first closing, the Company issued convertible notes for a principal amount of $10.0 million (the July 2012 Notes). The July 2012 Notes accrue interest at a rate of 8% per annum compounded annually and mature upon the earlier of July 30, 2013 or the date of the Company’s next equity financing with gross proceeds of not less than $10.0 million (the Next Equity Financing). The principal and accrued and unpaid interest on the July 2012 Notes are automatically convertible into the same securities to be sold at the Next Equity Financing at a price equal to the price of the securities issued in such Next Equity Financing. If the Next Equity Financing has not occurred, the July 2012 Notes provide that upon the Company’s initial public offering or certain corporate transactions, as defined in the 2012 Convertible Note Agreement, a majority of the principal amount of the July 2012 Notes (the Majority Note Holders) may elect to convert the principal and accrued and unpaid interest in the July 2012 Notes into shares of Series B preferred stock at $14.50 per share, subject to adjustment for stock splits, recapitalization and certain other events, or elect to have the principal and accrued and unpaid interest be repaid in full.

On January 22, 2013, the Company issued the remaining $7.0 million principal amount of convertible notes in a subsequent closing pursuant to the terms of the 2012 Convertible Note Agreement (the January 2013 Notes). The January 2013 Notes held consistent terms with the July 2012 Notes.

The July 2012 Notes and the January 2013 Notes matured on July 30, 2013 but were not repaid or converted pursuant to the original terms of the 2012 Convertible Note Agreement. On October 29, 2013, the Company amended the 2012 Convertible Note Agreement to increase the principal amount of convertible notes issuable under this agreement to an aggregate of $22.0 million and issued an additional principal amount of $5.0 million (the October 2013 Notes). The October 2013 Notes held consistent terms with the July 2012 Notes and the January 2013 Notes, with the exception of the maturity date which was September 30, 2014.

The amendment to the 2012 Convertible Note Agreement also provided that the maturity dates for the July 2012 Notes and January 2013 Notes were extended to September 30, 2014. The maturity extension was accounted by the Company as a debt modification. Under the modification accounting guidance, if the present value of the cash flows under the terms of a new debt instrument is less than ten percent different from the present value of the remaining cash flows under the terms of the original instrument, the modification is deemed to have been accomplished with debt instruments that are not substantially different. The Company determined that the present value of the July 2012 Notes and the January 2013 Notes prior to and after the October 2013 amendment were not substantially different and, therefore, determined a new effective interest rate of 16% as of the modification date based on the carrying amount of the original debt instrument and the revised cash flows. No fees or other consideration was paid to the note holders by the Company related to this maturity extension. All costs incurred with third parties directly related to the maturity extension were expensed as incurred.

On September 10, 2014 the Company amended the 2012 Convertible Note Agreement to extend the maturity date of the July 2012, January 2013, and October 2013 Notes from September 30, 2014 to March 18, 2015. No fees or other consideration was paid to the note holders by the Company related to the maturity extension. The Company determined a concession had been made and as such accounted for the change as a troubled debt restructuring with the impact reflected on a prospective basis from the date of the amendment.

March 2014 Convertible Notes

On March 18, 2014, the Company entered into a Note and Warrant Purchase Agreement (the 2014 Convertible Note Agreement) with the same investors as those described above, for the issuance of convertible notes for $8.0 million (the March 2014 Notes, and together with the July 2012, January 2013 and October 2013 Notes, the Convertible Notes). The March 2014 Notes held consistent terms with the 2012 Convertible Note Agreement and the July 2012, January 2013 and October 2013 Notes, as amended.

On January 24, 2015, the Company amended the 2012 Convertible Note Agreement and the 2014 Convertible Note Agreement to extend the maturity date of the Convertible Notes from March 18, 2015 such that they mature on the earlier of the completion of the Merger (see Note 10) or the Next Equity Financing. No fees or other consideration was paid to the note holders by the Company related to the maturity extension. The Company determined a concession had been made and as such accounted for the change as a troubled debt restructuring with the impact reflected on a prospective basis from the date of the amendment.

On January 24, 2015, the holders of the Convertible Notes elected to convert the principal and accrued and unpaid interest into shares of Series B preferred stock at $14.50 per share, subject to adjustment for stock splits, recapitalization and certain other events upon the completion of the Merger, which occurred on May 4, 2015 (see Note 10).

March 2015 Convertible Notes

On March 6, 2015, the Company entered into a Note Purchase Agreement (the 2015 Convertible Note Agreement) for the issuance of convertible notes for $13.0 million (the March 2015 Notes) of which $6.0 million in proceeds was received from existing investors. The March 2105 Notes accrue interest at a rate of 8% per annum compounded annually and mature upon the earlier of March 6, 2016 or the date of the Company's Next Equity Financing. Upon close of the Merger, the principal and accrued interest automatically convert into shares of common stock at the company stipulated value as defined in the Merger Agreement. If the Merger Agreement is terminated pursuant to Article 7, the principal and unpaid accrued interest may be converted at the option of the each note holder into shares of Series B preferred stock at $14.50 per share. If the Merger Agreement is terminated and the note holder has not elected conversion, the principal and accrued and unpaid interest are automatically convertible into the same securities to be sold at the Next Equity Financing at a price equal to the price of the securities issued in such Next Equity Financing. If the Next Equity Financing has not occurred, the March 2015 Notes provide that upon the Company's initial public offering or certain corporate transactions, as defined in the 2015 Convertible Note Agreement, a majority of the principal amount of the March 2015 Notes may elect to convert the principal and accrued and unpaid interest into shares of Series B preferred stock at $14.50 per share, subject to adjustment for stock splits, recapitalization and certain other events, or elect to have the principal and accrued and unpaid interest be repaid in full.

Preferred Stock Warrants

In connection with the issuance of the Convertible Notes, the Company issued to the holders of the Convertible Notes warrants equal to 25% of the principal amount of the Convertible Notes (the Warrant Coverage Amount). The warrants are exercisable for shares of the equity security sold at the Next Equity Financing or for shares of Series B preferred stock in the event of certain corporate transactions, an initial public offering, or on or before the maturity date if the Next Equity Financing has not occurred. The number of warrants exercisable is determined by dividing the Warrant Coverage Amount by either (i) the per share price of the Next Equity Financing in the event of the Next Equity Financing or (ii) $14.50, subject to adjustment for stock splits, recapitalization and certain other events in the event of a corporate transaction, the Company's initial public offering or at the maturity date. The warrants expire seven years from their date of issuance and will also expire if unexercised prior to the completion of certain corporate transactions or the Company's initial public offering.

There were no warrants issued in connection with the March 2015 Convertible Notes.

The Company accounts for the warrants to purchase shares of convertible preferred stock issued in connection with the Convertible Notes as liabilities. The Company will continue to adjust the liability for changes in fair value of these warrants until the earlier of: (1) exercise of warrants; (2) expiration of warrants; (3) a corporate transaction as defined in the 2012 Convertible Note Agreement; or (4) the consummation of the Company's initial public offering, at which time the liability will be reclassified to stockholders' equity (deficit).

The estimated fair value of the warrants at issuance was determined using an option price model and key assumptions including the probabilities of liquidity scenarios, enterprise value, time to liquidity, risk-free interest rates, discount for lack of marketability and volatility. At execution of the 2012 Convertible Note Agreement, and the first closing of the July 2012 Notes, the Company considered the subsequent closing of the additional $7.0 million from the January 2013 Notes and warrants issuance to be probable. As a result and in accordance with authoritative guidance, the Company accounted for the warrants for both the July 2012 and January 2013 Notes upon issuance of the July 2012 Notes. The fair value of the Warrants and key valuation assumptions on the date of issuance were as follows (in thousands):

	Fair Value at Issuance	Risk-Free Interest Rate	Expected Volatility	Expected Term (in Years)
July 2012 / January 2013	$ 1,986	0.18%	85%	0.9
October 2013	$ 570	0.11%	93%	0.9
March 2014	$ 619	0.07%	111%	0.5

On January 24, 2015, the holders of preferred stock warrants issued in connection with the Convertible Notes elected to net exercise their warrants upon closing of the Merger.

As a result of the issuance of the July 2012 and October 2013 Notes, the Company recorded a beneficial conversion feature equal to the difference between the conversion price, assuming the notes convert into Series B preferred stock at $14.50 per share, and the fair value of the underlying preferred stock into which the Convertible Notes may be converted. The intrinsic value of this beneficial conversion feature was recorded by the Company as a debt discount and is amortized over the original debt repayment period utilizing the effective interest method. For the July 2012 and October 2013 Notes, the intrinsic value of the beneficial conversion feature recorded was $1.1 million and $1.1 million, respectively. Upon the occurrence of the contingent event underlying the conversion options, the Company may recognize a charge based on the difference, if any, between the actual conversion price and the fair market value of the preferred stock at the original issuance date of the July 2012 and October 2013 Notes. The January 2013 Notes did not contain a beneficial conversion feature as the difference between the conversion price, assuming such notes convert into Series B preferred stock at $14.50 per share, and the fair value of the underlying preferred stock was not beneficial to the investor on the issuance date. Further, the Company evaluated the July 2012 Notes, January 2013 Notes and October 2013 Notes in accordance with accounting guidance for derivatives and determined there was de minimis value to the embedded conversion features at issuance and at each subsequent reporting date through March 31, 2015.

The March 2014 Notes did not contain a beneficial conversion feature as the difference between the conversion price, assuming such notes convert into Series B preferred stock at $14.50 per share, and the fair value of the underlying preferred stock was not beneficial to the investor on the issuance date. Additionally, the Company evaluated and did not identify any further embedded redemption and conversion features within the March 2014 Notes requiring bifurcation and valuation as derivatives.

The March 2015 Notes did not contain a beneficial conversion feature as the difference between the conversion price, assuming such notes convert into Series B preferred stock at $14.50 per share, and the fair value of the underlying preferred stock was not beneficial to the investor on the issuance date. Upon the occurrence of a contingent event underlying the conversion options, the Company may recognize a charge based on the difference, if any, between the actual conversion price and the fair market value of the stock at the original issue date. Additionally, the Company evaluated and did not identify any further embedded redemption and conversion features within the March 2015 Notes requiring bifurcation and valuation as derivatives.

Interest expense was comprised of the following (in thousands):

	Three Months Ended March 31,	
	2015	2014
Stated interest	$ 721	$ 480
Amortization of debt discount	$ 150	$ 183
Amortization of beneficial conversion feature	$ 24	$ 325

The aggregate unamortized debt discount and beneficial conversion feature related to the Convertible Notes was $0.1 million and $0.2 million as of March 31, 2015 and December 31, 2014, respectively.

Oxford Finance Term Loan and Preferred Stock Warrants

On June 30, 2014, the Company entered into an aggregate $15.0 million, four year term loan facility with Oxford Finance (the Loan). The Loan bears interest at a fixed rate of 6.954% per annum with interest only payments through December 31, 2015 followed by 30 equal payments of principal and interest until maturity at June 1, 2018. At the time of final payment, the Company is required to pay an exit fee of 4% of the original principal balance of the loan, which the Company recorded as a liability and debt discount at the origination of the Loan. In addition, the Company incurred loan origination fees of $0.1 million which were recorded as a loan discount and debt issuance costs of $0.1 million which were recorded as a deferred asset.

In connection with the Loan, the Company granted a security interest in all of its assets, except intellectual property, provided that a judicial authority could require the Company's intellectual property to be part of the collateral package to the extent necessary to satisfy repayment if the company's other secured assets are insufficient. The Loan prevents the Company from issuing dividends and contains customary affirmative and negative covenants. At March 31, 2015, the Company was in compliance with all loan covenants.

The Company is permitted to make voluntary prepayments of the Loan with a prepayment fee equal to (i) 3% of the loan prepaid during the first 12 months (ii) 2% of the term loan prepaid in months 13-24 and (iii) 1% of the loan thereafter. The Company is required to make mandatory prepayments of the outstanding loan upon the acceleration by the lenders following the occurrence of an event of default, along with a payment of the final payment, the prepayment fee and any other obligations that are due and payable at the time of prepayment.

In connection with the Loan, the Company issued warrants to the lenders to purchase an aggregate of 36,207 of Series B preferred stock at a purchase price of $14.50 per share, subject to adjustments for stock splits, recapitalizations, and certain other events. The warrants are immediately exercisable and expire on June 30, 2021. The warrants have not been exercised as of March 31, 2015. The Company accounts for these warrants as a liability as the underlying instrument into which the warrant is exercisable contains deemed liquidation provisions that are outside the control of the Company. The warrant liability is revalued to fair value at each reporting period.

The estimated fair value of the warrant at issuance was $0.2 million, which was recorded as a debt discount. The fair value of the warrants at issuance was determined using an option pricing model using the following assumptions: expected term of 0.5 years, risk free interest rate of 0.07% and expected volatility of 107%.

The Company evaluated the Loan in accordance with accounting guidance for derivatives and determined there was de minimis value to the identified derivative features at issuance and at subsequent reporting periods.

The Company accounts for the debt discount and deferred asset utilizing the effective interest method. The Company recorded interest expense and amortization of the debt discount of $0.1 million for the three months ended March 31, 2015.

Long-term debt and unamortized discount balances are as follows (in thousands):

	As of March 31, 2015	As of December 31, 2014
Face value of term loan	$ 15,000	$ 15,000
Exit fee	600	600
Unamortized debt discount associated with issuance of preferred stock warrants, exit fee, and loan origination fees	(735)	(811)
Term loan, net	$ 14,865	$ 14,789

Future minimum payments under the term loan are as follows (in thousands):

Year ending December 31,	
2015 (remaining nine months)	$ 782
2016	6,554
2017	6,554
2018	3,877
Total future minimum payments	17,767
Less: unamortized interest	(2,167)
Less: exit fee	(600)
Present value of loan payments	$15,000

6. CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT

Convertible Preferred Stock

The Company's convertible preferred stock has been classified as temporary equity on the accompanying condensed balance sheets in accordance with authoritative guidance. The preferred stock is not redeemable; however, upon certain change in control events that are outside of the Company's control, including liquidation, sale or transfer of control of the Company, holders of the convertible preferred stock may have the right to receive its liquidation preference under the terms of the Company's certificate of incorporation.

On January 24, 2015, the preferred stockholders elected automatic conversion of all outstanding preferred stock, including those shares of preferred stock resulting from the conversion of the Convertible Notes and the March 2015 Notes, into the Company's common stock upon the completion of the Merger, which occurred on May 4, 2015 (See Note 10) and waived any other conversion requirements under the terms of the Company's certificate of incorporation.

7. STOCK-BASED COMPENSATION EXPENSE

The following table summarizes stock option activity under the Company's stock-based compensation plan during the three months ended March 31, 2015:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in Years)	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2014	776,636	$ 6.57	8.72	
Granted	—	—		—
Exercised	—	—		
Canceled	—	—		
Outstanding at March 31, 2015	776,636	$ 6.57	8.47	
Vested and expected to vest at March 31, 2015	746,462	$ 6.30		
Vested and exercisable at March 31, 2015	289,032	$ 5.76		

As of March 31, 2015 and December 31, 2014, the total fair value of vested options was $2.0 million and $1.3 million, respectively. Under our stock-based compensation plan, option awards generally vest over a four-year period contingent upon continuous service and expire ten years from the date of grant (or earlier upon termination of continuous service). The fair value-based measurement of each option is estimated on the date of grant using the Black-Scholes option valuation model.

Stock-based compensation expense related to options granted was recorded as follows (in thousands):

	Three Months Ended March 31,	
	2015	2014
Research and development	$ 33	$ 59
General and administrative	197	85
Total	$ 230	$ 144

8. COMMITMENTS AND CONTINGENCIES

On February 2, 2015, a purported stockholder of Regado filed a putative class-action lawsuit (captioned Maiman v. Regado Biosciences, Inc., C.A. No. 10606-CB) in the Court of Chancery for the State of Delaware (the Court), challenging the proposed stock-for-stock Merger of Regado with Tobira (Proposed Merger). On February 25, 2015, a second, related putative class action (captioned Gilboa v. Regado Biosciences, Inc., C.A. No. 10720-CB) was filed in the Court challenging the Proposed Merger. On May 4, 2014, the Proposed Merger was consummated and Tobira became a wholly-owned subsidiary of Regado and changed its name to Tobira Development Inc. (Private Tobira).

The complaints name as defendants: (i) each member of Regado's Board of Directors, (ii) Regado, (iii) Private Tobira, and (iv) Landmark Merger Sub Inc. Plaintiffs allege that Regado's directors breached their fiduciary duties to Regado's stockholders by, among other things, (a) agreeing to merge Regado with Private Tobira for inadequate consideration, (b) implementing a process that was distorted by conflicts of interest, and (c) agreeing to certain provisions of the Merger Agreement that are alleged to favor Private Tobira and deter alternative bids. Plaintiffs also generally allege that the entity defendants aided and abetted the purported breaches of fiduciary duty by the directors. On March 25, 2015, the Court consolidated the two actions and assigned lead counsel for plaintiffs (captioned In re Regado Biosciences, Inc. Stockholder Litigation, Consolidated C.A. No. 10606-CB). On March 27, 2015, plaintiffs filed a consolidated amended complaint, a motion for expedited proceedings and a motion for preliminary injunction. On April 20, 2015, the parties agreed in principle to resolve the litigation (subject to approval by the Court) and signed a memorandum of understanding setting forth the terms of a proposed settlement to provide additional disclosures related to the Merger Agreement and cover Court awarded fees. On April 23, 2015, as part of the proposed settlement, Regado provided additional disclosures to its stockholders. As of March 31, 2015, the Company has accounted this matter as a contingency because it is unable to reasonably estimate an amount and/or a range of loss until the Company is made aware of Court fees awarded to the plaintiffs under the proposed settlement, if any, as administered under settlement law.

9. TAKEDA LICENSE

In August 2007, as amended in November 2009, the Company entered into an exclusive license agreement with Takeda Pharmaceutical Company Limited (Takeda). The license provides the Company with the worldwide right to manufacture, develop and commercialize cenicriviroc and TAK-220. Under this agreement, through March 31, 2015, the Company paid to Takeda an upfront license fee of $3.0 million which was expensed to research and development. Additionally, the Company is obligated to pay to Takeda up to $102.0 million in the aggregate in development and sales milestones. The Company is also obligated to pay to Takeda tiered royalties based on aggregate annual net sales of all licensed products from the high single digit to the low double digit percentage of net sales, subject to certain reductions and exceptions. The Company's obligation to pay royalties to Takeda expires on a country-by-country basis on the later of either expiration of the last to expire patent assigned to the Company under the agreement, or the earlier of the twelfth anniversary of the first commercial sale of the product or one or more generic versions of the product achieving a certain market share in such country.

10. SUBSEQUENT EVENTS

The Company's management has evaluated events and transactions that occurred after March 31, 2015 through June 2, 2015, the date at which the accompanying condensed financial statements were available to be issued. Management determined that no material subsequent events have occurred during that period that would require the Company to either recognize the financial impact of such events in the accompanying condensed financial statements or disclose any such events to ensure the condensed financial statements are not misleading, except as disclosed below.

On May 4, 2015, Regado completed its business combination with Private Tobira in accordance with the terms of the Merger Agreement, by and among Regado, Landmark Merger Sub Inc., Private Tobira, and Brent Ahrens, as the Company's stockholders' agent. On May 4, 2015, pursuant to the Merger Agreement, the Merger Subsidiary merged with and into Private Tobira, with Private Tobira surviving the merger and becoming a wholly owned subsidiary of Regado (the Merger). In connection with the Merger, the name of the surviving corporation was changed to Tobira Development, Inc. Regado changed its name to Tobira Therapeutics, Inc. and effected a one for nine reverse stock split. For accounting purposes, Private Tobira is considered the acquiring company in the Merger. The Company is currently evaluating the impact of the purchase accounting for this business combination and expects to complete its analysis and record the transaction in its June 30, 2015 financial statements.

In connection with the Merger, each outstanding share of Private Tobira common stock, including shares issued immediately prior to the Merger related to the conversion of principal and interest due and payable by Private Tobira under its Convertible Notes and March 2015 Notes, as well as the net exercise of the associated warrants to purchase Private Tobira common stock, was canceled and automatically converted into and became the right to receive approximately 1.4302 shares of Regado common stock. Additionally, each outstanding vested and unvested option to purchase Private Tobira common stock as well as warrants to purchase Private Tobira common stock were converted into an option or warrant, as applicable, to purchase common stock of Regado, as renamed to Tobira.

Immediately following the Merger, Regado entered into a Purchase Agreement with certain stockholders of Private Tobira and certain other accredited investors which provided for the sale and issuance of 2,542,365 shares of Regado common stock at $10.62 per share for a total financing of $27.0 million. Following the financing, the reverse stock split and the merger, the combined company has approximately 17.4 million shares of common stock outstanding.

In conjunction with the Merger, Tobira Therapeutics, Inc. pledged its outstanding securities as collateral for the term loan with Oxford Finance.

Exhibit 99.2

TOBIRA THERAPEUTICS, INC.
Index to Financial Statements

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Report of Independent Registered Public Accounting Firm

Tobira Therapeutics, Inc.
The Board of Directors and Stockholders

We have audited the accompanying balance sheets of Tobira Therapeutics, Inc. as of December 31, 2014 and 2013, and the related statements of operations and comprehensive loss, convertible preferred stock and stockholders' deficit, and cash flows for each of the two years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has recurring losses from operations, a working capital deficit and an accumulated deficit at December 31, 2014, that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Ernst & Young LLP
Redwood City, California
March 4, 2015

TOBIRA THERAPEUTICS, INC.

Balance Sheets
(In thousands, except share and per share data)

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 6,178	$ 4,088
Prepaid expenses and other current assets	1,013	121
Total current assets	7,191	4,209
Property and equipment, net	474	19
Restricted cash	334	50
Other assets	347	—
Total assets	$ 8,346	$ 4,278
Liabilities, convertible preferred stock and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 1,887	$ 875
Accrued expenses and other liabilities	6,503	2,270
Capital lease obligation	21	—
Deferred rent	57	—
Term loan	—	1,820
Convertible notes, related party	29,770	20,553
Total current liabilities	38,238	25,518
Capital lease obligations	40	—
Deferred rent	219	—
Term loan	14,789	—
Preferred stock warrant liabilities	2,460	2,773
Total liabilities	55,746	28,291
Commitments and contingencies		
Series A, noncumulative convertible preferred stock, par value $0.0001; 1,043,011 shares authorized at December 31, 2014 and 2013; 994,866 issued and outstanding at December 31, 2014 and 2013; liquidation value of $31,000 at December 31, 2014 and 2013	30,908	30,908
Series B, noncumulative convertible preferred stock, par value $0.0001; 5,133,477 and 4,338,221 shares authorized at December 31, 2014 and 2013, respectively; 2,151,722 issued and outstanding at December 31, 2014 and 2013; liquidation value of $54,600 at December 31, 2014 and 2013	31,074	31,074
Stockholders' deficit:		
Common stock, par value $0.0001; 8,456,867 and 7,661,611 shares authorized at December 31, 2014 and 2013, respectively; 282,157 shares issued and outstanding at December 31, 2014 and 2013	—	—
Additional paid-in capital	4,378	3,665
Accumulated other comprehensive income (loss)	—	—
Accumulated deficit	(113,760)	(89,660)
Total stockholders' deficit	(109,382)	(85,995)
Total liabilities, convertible preferred stock and stockholders' deficit	$ 8,346	$ 4,278

See accompanying notes to financial statements.

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TOBIRA THERAPEUTICS, INC.

Statements of Operations and Comprehensive Loss
(In thousands, except share and per share data)

	Year Ended December 31,	
	2014	**2013**
Operating expenses		
Research and development	$ 12,181	$ 12,413
General and administrative	7,840	2,764
Total operating expenses	20,021	15,177
Loss from operations	(20,021)	(15,177)
Other income (expense), net		
Interest expense	(4,989)	(3,684)
Change in fair value of preferred stock warrant liabilities	1,181	272
Loss before income tax expense	(23,829)	(18,589)
Income tax expense	271	—
Net loss and comprehensive loss	$ (24,100)	$ (18,589)
Net loss per share, basic and diluted	$ (85.41)	$ (67.66)
Weighted-average common shares outstanding, basic and diluted	282,157	274,735

See accompanying notes to financial statements.

TOBIRA THERAPEUTICS, INC.

Statements of Convertible Preferred Stock and Stockholders' Deficit
(In thousands, except share and per share data)

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2012	994,866	$ 30,908	2,151,722	$ 31,074	267,682	$ —	$ 2,054	$ —	$ (71,071)	$ (69,017)
Restricted common stock vested in period	—	—	—	—	378	—	2	—	—	2
Stock-based compensation	—	—	—	—	—	—	423	—	—	423
Stock options exercised	—	—	—	—	14,097	—	63	—	—	63
Beneficial conversion feature related to convertible promissory note	—	—	—	—	—	—	1,123	—	—	1,123
Net loss	—	—	—	—	—	—	—	—	(18,589)	(18,589)
Balance at December 31, 2013	994,866	30,908	2,151,722	31,074	282,157	—	3,665	—	(89,660)	(85,995)
Reclassification of stock award liability from equity upon modification	—	—	—	—	—	—	(399)	—	—	(399)
Reclassification of stock award liability to equity upon expiration	—	—	—	—	—	—	292	—	—	292
Stock-based compensation	—	—	—	—	—	—	820	—	—	820
Net loss	—	—	—	—	—	—	—	—	(24,100)	(24,100)
Balance at December 31, 2014	994,866	$ 30,908	2,151,722	$ 31,074	282,157	$ —	$ 4,378	$ —	$ (113,760)	$ (109,382)

See accompanying notes to financial statements.

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TOBIRA THERAPEUTICS, INC.

Statements of Cash Flows
(In thousands)

	Year Ended December 31,	
	2014	2013
Operating activities		
Net loss	$(24,100)	$(18,589)
Reconciliation of net loss to net cash used in operating activities:		
Depreciation and amortization	51	18
Stock-based compensation	713	423
Loss on disposal of assets	3	—
Amortization of debt discount	1,070	1,257
Change in fair value of preferred stock warrant liabilities	(1,181)	(272)
Noncash interest expense on convertible note	2,393	1,422
Amortization of beneficial conversion feature	928	800
Amortization of debt issuance costs	26	20
Change in assets and liabilities:		
Prepaid expenses and other assets	(1,152)	400
Restricted cash	(284)	—
Accounts payable and accrued expenses	2,852	(2,373)
Deferred rent	16	—
Net cash used in operating activities	(18,665)	(16,894)
Investing activities		
Purchase of property and equipment	(180)	(1)
Net cash used in investing activities	(180)	(1)
Financing activities		
Proceeds from borrowings – term loan, net	14,794	—
Proceeds from convertible notes, related party	7,982	11,980
Proceeds from sale of common stock	—	63
Payments on term loan	(1,833)	(2,000)
Payments on capital lease obligations	(8)	—
Net cash provided by financing activities	20,935	10,043
Net increase (decrease) in cash and cash equivalents	2,090	(6,852)
Cash and cash equivalents at beginning of year	4,088	10,940
Cash and cash equivalents at end of year	$ 6,178	$ 4,088
Supplemental disclosure of cash flow information		
Interest paid	$ 479	$ 188
Noncash activities:		
Issuance of warrants in connection with the term loan and convertible notes, related party	$ 868	$ 570
Reclassification of stock award liability from equity upon modification	$ 399	$ —
Reclassification of stock award liability to equity upon expiration	$ 292	$ —
Landlord paid leasehold improvements	$ 259	$ —
Equipment purchased under capital leases	$ 70	$ —
Beneficial conversion feature related to convertible notes	$ —	$ 1,123
Common stock vested	$ —	$ 2

See accompanying notes to financial statements.

TOBIRA THERAPEUTICS, INC.

Notes to Financial Statements

1. Organization and Basis of Presentation

Tobira Therapeutics, Inc. (the Company) was incorporated in the State of Delaware on September 11, 2006 (inception), and is headquartered in South San Francisco, California. The Company is a clinical-stage biopharmaceutical company focused on the development and commercialization of innovative therapeutics to treat liver disease, human immunodeficiency virus, or HIV, fibrosis, and inflammation. Since inception through December 31, 2014, the Company has been engaged in development activities, including devoting substantially all of its efforts to conducting research, product development, recruiting personnel, establishing office facilities and obtaining financing. The Company has not generated any revenues from its planned principal operations and has incurred operating losses in each year through December 31, 2014.

The Company has a limited operating history and the revenue and income potential of the Company's business and market are unproven. The Company has experienced recurring net losses and negative cash flows from operating activities since its inception. The Company recorded net losses of $24.1 million and $18.6 million for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, the Company had a working capital deficit of $31.1 million and $21.3 million, respectively, and an accumulated deficit of $113.8 million and $89.7 million, respectively. Due to the Company's continuing research and development activities, the Company expects to continue to incur net losses into the foreseeable future. The Company may never become profitable, or if it does, it may not be able to sustain profitability on a recurring basis. Successful transition to attaining profitable operations is dependent upon achieving a level of revenues adequate to support the Company's cost structure.

The Company anticipates that it will continue to incur losses into the foreseeable future and plans to fund its losses from operations and capital funding needs through future public or private equity or debt financings, other third-party funding, collaborations, strategic alliances and licensing arrangements or a combination of these. There can be no assurance that the Company will be able to obtain equity or debt financing on acceptable terms, or at all. If the Company is not able to secure adequate additional funding, the Company may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible, and/or suspend or curtail planned programs. Any of these actions could materially harm the Company's business, results of operations, and future prospects, including its ability to continue as a going concern.

The Company's recurring net losses, working capital deficit and accumulated deficit raise substantial doubt about its ability to continue as a going concern. The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The accompanying financial statements do not include any adjustments to reflect the possible future effects of the recoverability and classification of assets or the amounts and classification of liabilities that may result from uncertainty related to the Company's ability to continue as a going concern.

Reverse Stock Split

On July 28, 2014, the Company effected a 1-26.4065866 reverse stock split of the Company's common stock, convertible preferred stock, preferred stock warrants and options for common stock. The par value was not adjusted as a result of the reverse stock split.

On February 23, 2015, in connection with the reverse stock split on July 28, 2014, the Company filed a correction to its amended articles of incorporation to effect a reverse stock split of its authorized shares of common stock, Series A preferred stock and Series B preferred stock.

As a result of both events noted above, the accompanying financial statements and notes to the financial statements give retroactive effect to the reverse split for all periods presented.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company's financial statements are prepared in accordance with generally accepted accounting principles in the United States (GAAP).

Use of Estimates

The preparation of the Company's financial statements in conformity with GAAP requires management to make estimates and assumptions that impact the reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities in the Company's financial statements and accompanying notes. The most significant estimates in the Company's financial statements relate to the valuation of preferred stock warrants, equity awards and clinical trial accruals. Although these estimates are based on the Company's knowledge of current events and actions it may undertake in the future, actual results may ultimately materially differ from these estimates and assumptions.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less at the date of purchase as cash equivalents. Cash and cash equivalents primarily represent funds invested in readily available checking and saving accounts, and funds that invest in securities issued or guaranteed as to the principal and interest by the U.S. government. Cash and cash equivalents are recorded at face value or cost, which approximates fair market value. At times, the Company has cash and cash equivalents deposited at financial institutions in excess of federally insured deposit limits. Cash is held on deposit in major financial institutions and is subject to minimal credit risk.

Fair Value of Financial Instruments

Financial assets and liabilities are recorded at fair value. The carrying amounts of certain of our financial instruments, including cash equivalents, accounts payable and accrued expenses, approximate their fair value due to their short term maturities. Based on prevailing borrowing rates available to the Company for loans with similar terms, the Company believes that the fair value of long-term debt approximates its carrying value. The carrying amount of the warrant liability represents its fair value.

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants.

The Company values its assets and liabilities based on observable market prices or inputs. If observable prices or inputs are not available, fair values are measured using unobservable inputs based on the Company's own assumptions about what market participants would use to price the asset or liability.

Fair value measurements are classified within one of three levels in a valuation hierarchy based upon the observability of significant inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical unrestricted assets or liabilities;
- Level 2 inputs for similar assets and liabilities in active markets other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 inputs that are significant to the fair value measurement and unobservable (i.e. supported by little or no market activity), which require the reporting entity to develop its own valuation techniques and assumptions.

Property and Equipment

The Company records its property and equipment at cost, less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets, which are three to five years depending on asset class. Leasehold improvements are amortized over their estimated useful life or the related lease term, whichever is shorter. The Company expenses repair and maintenance costs as they are incurred.

Long-Lived Assets

The Company assesses the carrying value and estimated lives of all of its long-lived assets, including property and equipment, for impairment on an annual basis and whenever events or changes in circumstances and the undiscounted cash flows generated by those assets indicate that the carrying amount of such assets may not be recoverable. The determinants used for this evaluation include management's estimate of the asset's ability to generate positive income from operations and positive cash flow in future periods as well as the strategic significance of the assets to the Company's business objectives. Should impairment exist, the impairment loss would be measured based on the excess of the carrying amount of the asset's fair value. While the Company's current and historical operating losses and negative cash flows are indicators of impairment, management believes that future cash flows to be received support the carrying value of its long-lived assets and, accordingly, has not recognized any impairment losses through December 31, 2014.

Preferred Stock Warrants

The Company has issued freestanding warrants to purchase shares of its convertible preferred stock. The Company accounts for its warrants as either equity or liabilities based upon the characteristics and provisions of each instrument. The warrants are recorded as a liability on the Company's balance sheet at their fair value on the date of issuance and are revalued at each subsequent balance sheet date, with fair value changes recognized as increases or reductions to other income (expense), net in the accompanying statements of operations and comprehensive loss. The warrant liabilities will continue to be re-measured to fair value until such time as the warrants are no longer outstanding or the underlying securities into which the warrants are exercisable no longer contain deemed liquidation provisions that are outside the control of the Company. The Company estimates the fair value of these liabilities using option pricing models and assumptions that are based on the individual characteristics of the warrants or instruments on the valuation date, as well as assumptions for expected volatility, expected life, expected yield, and risk-free interest rate.

Research and Development Expenses

Research and development expenses consist primarily of fees paid to contract research organizations and other vendors for clinical, non-clinical and manufacturing services, salaries and related overhead expenses, consultant expenses, costs related to acquiring manufacturing materials and costs related to compliance with regulatory requirements.

The Company recognizes research and development expenses as incurred, typically estimated based on an evaluation of the progress to completion of specific tasks using data such as patient enrollment, clinical site activations, manufacturing steps completed, or information provided by vendors on their actual costs incurred. The Company determines the estimates by reviewing contracts, vendor agreements and purchase orders, and through discussions with internal clinical personnel and external service providers as to the progress or stage of completion of trials or services and the agreed-upon fee to be paid for such services. These estimates are made by the Company as of each balance sheet date based on facts and circumstances known to the Company at that time. If the actual timing of the performance of services or the level of effort varies from the estimate, the Company will adjust the estimate accordingly. Nonrefundable advance payments for goods and services, including fees for process development or manufacturing and distribution of clinical supplies that will be used in future research and development activities, are capitalized as prepaid expenses and recognized as expense in the period that the related goods are consumed or services are performed.

The Company may pay fees to third-parties for clinical, non-clinical and manufacturing services that are based on contractual milestones that may result in uneven payment flows. There may be instances in which payments made to vendors will exceed the level of services provided and result in a prepayment of the research and development expense.

Patent Expenses

The Company expenses all costs incurred in connection with filing patent applications, including direct application fees, legal and consulting expenses. These costs are expensed as incurred since the recoverability of such expenditures is uncertain and are included in general and administrative expenses in the accompanying statements of operations and comprehensive loss.

Stock-Based Compensation Expense

For stock options granted to employees, the Company recognizes compensation expense for all stock-based awards based on the grant-date estimated fair value. The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service period. The fair value of stock options is determined using the Black-Scholes option pricing model net of estimated forfeitures. The determination of fair value for stock-based awards on the date of grant using an option pricing model requires management to make certain assumptions regarding a number of complex and subjective variables.

Stock-based compensation expense related to stock options granted to nonemployees is recognized based on the fair value of the stock options, determined using the Black-Scholes option pricing model, as they are earned. The awards generally vest over the time period the Company expects to receive services from the non-employee. Stock options granted to non-employees are subject to periodic revaluation over their vesting terms.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company recognizes net deferred tax assets to the extent that the Company believes these assets are more likely than not to be realized. In making such a determination, management considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If management determines that the Company would be able to realize its deferred tax assets in the future in excess of their net recorded amount, management would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes, in the period such determination is made.

The Company follows the accounting guidance on accounting for uncertainty in income taxes. The guidance prescribes a recognition threshold and measurement attribute criteria for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities based on the technical merits of the position. The Company has not recognized interest or penalties in its statements of operations and comprehensive loss since inception.

Segment Reporting

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker in making decisions regarding resource allocation and assessing performance. The Company views its operations and manages its business in one operating segment.

Comprehensive Loss

Comprehensive loss is defined as the change in equity during a period from transactions and other events or circumstances from non-owner sources. Net loss and comprehensive loss were the same for all periods presented in the accompanying financial statements.

Net Loss Per Share

Basic net loss per common share is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration for potentially dilutive securities. Diluted net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common shares and potentially dilutive securities outstanding for the period determined using the treasury-stock and if-converted methods. For purposes of the diluted net loss per share calculation, convertible preferred stock, convertible notes and accrued interest, unvested restricted common stock subject to repurchase, stock options and preferred stock warrants are considered to be potentially dilutive securities and are excluded from the calculation of diluted net loss per share because their effect would be anti-dilutive. Therefore, basic and diluted net loss per share was the same for all periods presented due to the Company's net loss position.

The following table sets forth the outstanding potentially dilutive securities that have been excluded in the calculation of diluted net loss per share because to do so would be anti-dilutive (in common stock equivalent shares):

	As of December 31,	
	2014	**2013**
Convertible preferred stock	3,902,675	3,836,805
Warrants to purchase preferred stock	630,663	456,529
Common stock options	776,636	527,950
Convertible notes	2,355,338	1,638,019
Total	7,665,312	6,459,303

Recent Accounting Pronouncements

In August 2014, the Financing Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* , which requires management to evaluate, in connection with preparing financial statements for each annual and interim reporting period, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued and provide related disclosures. This guidance is effective for annual periods ending after December 15, 2016, and, as such, will be applicable to the Company in 2017. Early adoption is permitted. The Company does not expect this standard to have a material impact on its financial statements.

In June 2014, the FASB issued ASU No. 2014-10, *Development Stage Enterprises: Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation* . This guidance removes the definition of a development stage entity from the Master Glossary of the Accounting Standards Codification, thereby removing the financial reporting distinction between development stage entities and other reporting entities from U.S. GAAP as well as requirements for development stage entities to (i) present inception-to-date information in the statements of income, cash flow, and stockholders' equity, (ii) label the financial statements as those of a development stage entity, (iii) disclose a description of development stage activities in which the entity is engaged, and (iv) disclose in the first year in which the entity is no longer a development stage entity whereby, in prior reporting periods, the entity had been in the development stage. Early application of each amendment is permitted. The Company elected to early adopt the provisions of this guidance in the fourth quarter of 2014 and has eliminated inception-to-date financial statement reporting as well as labeling and related disclosures as a development stage entity in the accompanying financial statements.

In June 2014, the FASB issued an accounting standards update that requires a performance target that affects vesting of a share-based payment award and that could be achieved after the requisite service period to be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized over the required service period, if it is probable that the performance target will be achieved. This guidance will be effective for fiscal years beginning after December 15, 2015, which will be the Company's fiscal year 2016, with early adoption permitted. The Company does not expect the adoption of the guidance will have a material impact on the Company's financial statements.

In May 2014, the FASB issued an accounting standards update that creates a single source of revenue guidance for companies in all industries. The new standard provides guidance for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods or services to their customers, unless the contracts are within the scope of other accounting standards. It also provides a model for the measurement and recognition of gains and losses on the sale of certain nonfinancial assets. This guidance must be adopted using either a full retrospective approach for all periods presented or a modified retrospective approach and will be effective for fiscal years beginning after December 15, 2016, which will be the Company's fiscal year 2017. The Company does not expect the adoption of the guidance will have a material impact on its financial statements.

3. Fair Value Measurements

The following tables and disclosure present information about the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 and 2013 and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value (in thousands):

	As of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$4,800	$ —	$ —	$4,800
Total	$4,800	$ —	$ —	$4,800
Liabilities				
Preferred stock warrant liabilities	$ —	$ —	$2,460	$2,460
Total	$ —	$ —	$2,460	$2,460

	As of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$1,000	$ —	$ —	$1,000
Total	$1,000	$ —	$ —	$1,000
Liabilities				
Preferred stock warrant liabilities	$ —	$ —	$2,773	$2,773
Total	$ —	$ —	$2,773	$2,773

The carrying amounts of the Company's financial instruments, including cash, restricted cash, deposits, accounts payable, and accrued liabilities, approximate fair value due to their short maturities. The Company's lease obligation, term loan and convertible notes have fair values that approximate their carrying value based on prevailing borrowing rates available to the Company for loans with similar terms. Financial assets and liabilities, which are measured or disclosed at fair value on a recurring basis and are classified within the Level 3 designation, consist of preferred stock warrant liabilities. None of the Company's non-financial assets or liabilities is recorded at fair value on a non-recurring basis for the periods presented. There were no transfers between levels within the fair value hierarchy during the periods presented.

The following table provides a reconciliation of all liabilities measured at fair value using Level 3 significant unobservable inputs (in thousands):

	Year Ended December 31,	
	2014	2013
Balance, beginning of the period	$ 2,773	$2,475
Issuance of preferred stock warrants	868	570
Reclassification of stock award liability from equity upon modification	399	—
Reclassification of stock award liability to equity upon expiration	(292)	—
Change in fair value of stock award liability	(107)	—
Change in fair value of preferred stock warrant liabilities (1)	(1,181)	(272)
Balance, end of the period	$ 2,460	$2,773

(1) Changes in fair value of the preferred stock warrant liabilities are recorded in other income (expense), net on the Statements of Operations and Comprehensive Loss.

The significant unobservable inputs used to determine the fair value of preferred stock warrant liabilities using an option-pricing model and the weighted average assumptions used in determining the fair value of the outstanding preferred stock warrant liabilities were as follows:

	Year Ended December 31,	
	2014	2013
Risk-free interest rate	0.13%	0.12%
Expected dividend yield	— %	— %
Expected price volatility	107%	88%
Expected term (in years)	0.8	0.8

The details of the preferred stock warrants outstanding for the years ended December 31, 2014 and 2013 and the fair values on date of issuance are provided in Note 7.

4. Restricted Cash

The Company maintained restricted cash of $0.3 million and $0.1 million as of December 31, 2014 and 2013, respectively. During July 2014, the Company entered into a cash secured letter of credit for $0.3 million required by the landlord associated with the May 2014 new headquarters lease.

5. Property and Equipment

Property and equipment consist of the following (in thousands):

	As of December 31, 2014	As of December 31, 2013
Property and equipment:		
Computer equipment and software	$ 91	$ 52
Furniture and fixtures	99	10
Leasehold improvements	305	—
Capital lease equipment	70	—
Total property and equipment	565	62
Less: accumulated depreciation and amortization	(91)	(43)
Property and equipment, net	$ 474	$ 19

Depreciation and amortization expense for the years ended December 31, 2014 and 2013 was $51,000 and $18,000, respectively.

6. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of the following (in thousands):

	As of December 31, 2014	As of December 31, 2013
Research and development	$ 235	$ 382
Compensation expense	928	69
Clinical trial expenses	478	—
Professional services	709	49
Loan interest	4,153	1,770
Total accrued expenses and other liabilities	$6,503	$2,270

7. Debt and Preferred Stock Warrants

2007 Convertible Notes

During 2007, the Company issued convertible notes (the 2007 Notes) in aggregate principal amount of $1.5 million. In conjunction with the issuance of the 2007 Notes, the Company issued to holders of the 2007 Notes freestanding warrants to purchase 48,138 shares of Series A preferred stock (the 2007 Warrants). In August 2007, the outstanding principal and accrued and unpaid interest was converted into 48,138 shares of Series A preferred stock. The 2007 Warrants expired unexercised in 2012.

2010 Convertible Notes

During March and July 2010, the Company issued convertible notes (the 2010 Notes) in aggregate principal amount of $9.0 million. The 2010 Notes were due and payable one year after the issuance date, if not converted, and accrued interest at a rate of 8% per annum. In conjunction with the issuance of the 2010 Notes, the Company issued to the holders of the 2010 Notes freestanding warrants to purchase 68,961 Series B preferred stock (the 2010 Warrants), which are contingently exercisable upon satisfaction of certain conditions.

In August 2010, the outstanding principal and accrued and unpaid interest on the 2010 Notes were converted into 634,472 shares of Series B preferred stock. In addition, the 2010 Warrants became exercisable at an exercise price of $14.50 per share. As of December 31, 2014, none of these warrants have been exercised.

2012 and 2013 Convertible Notes

On July 30, 2012, the Company entered into a Note and Warrant Purchase Agreement (the 2012 Convertible Note Agreement) for the issuance of convertible notes up to an aggregate principal amount of $17.0 million. In a first closing, the Company issued convertible notes for a principal amount of $10.0 million (the July 2012 Notes). The July 2012 Notes accrue interest at a rate of 8% per annum compounded annually and mature upon the earlier of July 30, 2013 or the date of the Company's next equity financing with gross proceeds of not less than $10.0 million (the Next Equity Financing). The principal and accrued and unpaid interest on the July 2012 Notes are automatically convertible into the same securities to be sold at the Next Equity Financing at a price equal to the price of the securities issued in such Next Equity Financing. If the Next Equity Financing has not occurred, the July 2012 Notes provide that upon the Company's initial public offering or certain corporate transactions, as defined in the 2012 Convertible Note Agreement, a majority of the principal amount of the July 2012 Notes (the Majority Note Holders) may elect to convert the principal and accrued and unpaid interest in the July 2012 Notes into shares of Series B preferred stock at $14.50 per share, subject to adjustment for stock splits, recapitalization and certain other events, or elect to have the principal and accrued and unpaid interest be repaid in full.

On January 22, 2013, the Company issued the remaining $7.0 million principal amount of convertible notes in a subsequent closing pursuant to the terms of the 2012 Convertible Note Agreement (the January 2013 Notes). The January 2013 Notes held consistent terms with the July 2012 Notes.

The July 2012 Notes and the January 2013 Notes matured on July 30, 2013 but were not repaid or converted pursuant to the original terms of the 2012 Convertible Note Agreement. On October 29, 2013, the Company amended the 2012 Convertible Note Agreement to increase the principal amount of convertible notes issuable under this agreement to an aggregate of $22.0 million and issued an additional principal amount of $5.0 million (the October 2013 Notes). The October 2013 Notes held consistent terms with the July 2012 Notes and the January 2013 Notes, with the exception of the maturity date which was September 30, 2014.

The amendment to the 2012 Convertible Note Agreement also provided that the maturity dates for the July 2012 Notes and January 2013 Notes were extended to September 30, 2014. The maturity extension was accounted by the Company as a debt modification. Under the modification accounting guidance, if the present value of the cash flows under the terms of a new debt instrument is less than ten percent different from the present value of the remaining cash flows under the terms of the original instrument, the modification is deemed to have been accomplished with debt instruments that are not substantially different. The Company determined that the present value of the July 2012 Notes and the January 2013 Notes prior to and after the October 2013 amendment were not substantially different and, therefore, determined a new effective interest rate of 16% as of the modification date based on the carrying amount of the original debt instrument and the revised cash flows. No fees or other consideration was paid to the note holders by the Company related to this maturity extension. All costs incurred with third parties directly related to the maturity extension were expensed as incurred.

On September 10, 2014 the Company amended the 2012 Note Agreement to extend the maturity date of the July 2012, January 2013, and October 2013 Notes from September 30, 2014 to March 18, 2015. No fees or other consideration was paid to the note holders by the Company related to the maturity extension. The Company determined a concession had been made and as such accounted for the change as a troubled debt restructuring with the impact reflected on a prospective basis from the date of the amendment.

March 2014 Convertible Notes

On March 18, 2014, the Company entered into a Note and Warrant Purchase Agreement (the 2014 Convertible Note Agreement) with the same investors as those described above, for the issuance of convertible notes for $8.0 million (the March 2014 Notes, and together with the July 2012, January 2013 and October 2013 Notes, the Convertible Notes). The March 2014 Notes held consistent terms with the 2012 Convertible Note Agreement and the July 2012, January 2013 and October 2013 Notes, as amended.

In December 2014, all the holders of the Convertible Notes elected to convert the principal and accrued and unpaid interest of the Convertible Notes into shares of Series B preferred stock at $14.50 per share, subject to adjustment for stock splits, recapitalization and certain other events, contingent upon the completion of an initial public offering occurring no later than June 30, 2015.

Preferred Stock Warrants

In connection with the issuance of the Convertible Notes, the Company issued to the holders of the Convertible Notes warrants equal to 25% of the principal amount of the Convertible Notes (the Warrant Coverage Amount). The warrants are exercisable for shares of the equity security sold at the Next Equity Financing or for shares of Series B preferred stock in the event of certain corporate transactions, an initial public offering, or on or before the maturity date if the Next Equity Financing has not occurred. The number of warrants exercisable is determined by dividing the Warrant Coverage Amount by either (i) the per share price of the Next Equity Financing in the event of the Next Equity Financing or (ii) $14.50, subject to adjustment for stock splits, recapitalization and certain other events in the event of a corporate transaction, the Company's initial public offering or at the maturity date. The warrants expire seven years from their date of issuance and will also expire if unexercised prior to the completion of certain corporate transactions or the Company's initial public offering.

The Company accounts for the warrants to purchase shares of convertible preferred stock issued in connection with the Convertible Notes as liabilities. The Company will continue to adjust the liability for changes in fair value of these warrants until the earlier of: (1) exercise of warrants; (2) expiration of warrants; (3) a corporate transaction as defined in the 2012 Convertible Note Agreement; or (4) the consummation of the Company's initial public offering, at which time the liability will be reclassified to stockholders' equity (deficit).

The estimated fair value of the warrants at issuance was determined using an option price model and key assumptions including the probabilities of liquidity scenarios, enterprise value, time to liquidity, risk-free interest rates, discount for lack of marketability and volatility. At execution of the 2012 Convertible Note Agreement, and the first closing of the July 2012 Notes, the Company considered the subsequent closing of the additional $7.0 million from the January 2013 Notes and warrants issuance to be probable. As a result and in accordance with authoritative guidance, the Company accounted for the warrants for both the July 2012 and January 2013 Notes upon issuance of the July 2012 Notes. The fair value of the Warrants and key valuation assumptions on the date of issuance were as follows (in thousands):

	Fair Value at Issuance	Risk-free Interest Rate	Expected Volatility	Expected Term (in Years)
July 2012 / January 2013	$ 1,986	0.18%	85%	0.9
October 2013	$ 570	0.11%	93%	0.9
March 2014	$ 619	0.07%	111%	0.5

In December 2014, the holders of preferred stock warrants issued in connection with the Convertible Notes elected to net exercise their warrants in the event of an initial public offering occurring no later than June 30, 2015.

As a result of the issuance of the July 2012 and October 2013 Notes, the Company recorded a beneficial conversion feature equal to the difference between the conversion price, assuming the notes convert into Series B preferred stock at $14.50 per share, and the fair value of the underlying preferred stock into which the Convertible Notes may be converted. The intrinsic value of this beneficial conversion feature was recorded by the Company as a debt discount and is amortized over the original debt repayment period utilizing the effective interest method. For the July 2012 and October 2013 Notes, the intrinsic value of the beneficial conversion feature recorded was $1.1 million and $1.1 million, respectively. Upon the occurrence of the contingent event underlying the conversion options, the Company may recognize a charge based on the difference, if any, between the actual conversion price and the fair market value of the preferred stock at the original issuance date of the July 2012 and October 2013 Notes. The January 2013 Notes did not contain a beneficial conversion feature as the difference between the conversion price, assuming such notes convert into Series B preferred stock at $14.50 per share, and the fair value of the underlying preferred stock was not beneficial to the investor on the issuance date. Further, the Company evaluated the July 2012 Notes, January 2013 Notes and October 2013 Notes in accordance with accounting guidance for derivatives and determined there was de minimis value to the embedded conversion features at issuance and at each subsequent reporting date through December 31, 2014.

The March 2014 Notes did not contain a beneficial conversion feature as the difference between the conversion price, assuming such notes convert into Series B preferred stock at $14.50 per share, and the fair value of the underlying preferred stock was not beneficial to the investor on the issuance date. Additionally, the Company evaluated and did not identify any further embedded redemption and conversion features within the March 2014 Notes requiring bifurcation and valuation as derivatives.

Interest expense was comprised of the following (in thousands):

	Year Ended December 31, 2014	2013
Stated interest	$ 2,393	$ 1,422
Amortization of debt discount	$ 908	$ 1,241
Amortization of beneficial conversion feature	$ 928	$ 800

The aggregate unamortized debt discount and beneficial conversion feature related to the Convertible Notes was $0.2 million and $1.5 million as of December 31, 2014 and 2013, respectively.

Square 1 Bank Term Loan and Preferred Stock Warrant

In November 2011, the Company entered into a loan and security agreement with Square 1 Bank (the Term Loan) for a $4.0 million three-year term loan which was funded in December 2011. The Term Loan bears interest at 6% per annum and required 12 months of interest only payments through November 2012 followed by 24 equal monthly payments of principal and interest thereafter. The principal and unamortized debt discount balances of the Term Loan at December 31, 2013 were $1.8 million and $13,000, respectively. The Term Loan was paid in full and terminated in June 2014. The Company recorded a loss on extinguishment of debt of $20,000.

In connection with the Term Loan, the Company issued to Square 1 Bank a warrant to purchase 8,275 shares of Series B preferred stock with an exercise price of $14.50 per share. This warrant was immediately exercisable and expires seven years from the date of issuance. The warrant has not been exercised as of December 31, 2014. The Company accounts for this warrant as a liability because the underlying instrument into which the warrant is exercisable, Series B preferred stock, contains deemed liquidation provisions that are outside the control of the Company. The warrant is revalued to fair value at each reporting period.

The estimated fair value of the warrant at issuance was $48,000, which was recorded as a debt discount and amortized on a straight line basis over the term of the loan. The fair value was determined using the following assumptions: expected term of 1.6 years, risk free interest rate of 0.2% and expected volatility of 70%. The Company recorded interest expense and amortization of the debt discount of $0 and $0.2 million for the years ended December 31, 2014 and 2013, respectively.

Oxford Finance Term Loan and Preferred Stock Warrants

On June 30, 2014, the Company entered into an aggregate $15.0 million, four year term loan facility with Oxford Finance (the Loan). The Loan bears interest at a fixed rate of 6.954% per annum with interest only payments through December 31, 2015 followed by 30 equal payments of principal and interest until maturity at June 1, 2018. At the time of final payment, the Company is required to pay an exit fee of 4% of the original principal balance of the loan, which the Company recorded as a liability and debt discount at the origination of the Loan. In addition, the Company incurred loan origination fees of $0.1 million which were recorded as a loan discount and debt issuance costs of $0.1 million which were recorded as a deferred asset.

In connection with the Loan, the Company granted a security interest in all of its assets, except intellectual property, provided that a judicial authority could require the Company's intellectual property to be part of the collateral package to the extent necessary to satisfy repayment if the company's other secured assets are insufficient. The Loan prevents the Company from issuing dividends and contains customary affirmative and negative covenants. At December 31, 2014, the Company was in compliance with all loan covenants.

The Company is permitted to make voluntary prepayments of the Loan with a prepayment fee equal to (i) 3% of the loan prepaid during the first 12 months (ii) 2% of the term loan prepaid in months 13-24 and (iii) 1% of the loan thereafter. The Company is required to make mandatory prepayments of the outstanding loan upon the acceleration by the lenders following the occurrence of an event of default, along with a payment of the final payment, the prepayment fee and any other obligations that are due and payable at the time of prepayment.

In connection with the Loan, the Company issued warrants to the lenders to purchase an aggregate of 36,207 of Series B preferred stock at a purchase price of $14.50 per share, subject to adjustments for stock splits, recapitalizations, and certain other events. The warrants are immediately exercisable and expire on June 30, 2021. The warrants have not been exercised as of December 31, 2014. The Company accounts for these warrants as a liability as the underlying instrument into which the warrant is exercisable contains deemed liquidation provisions that are outside the control of the Company. The warrant liability is revalued to fair value at each reporting period.

The estimated fair value of the warrant at issuance was $0.2 million, which was recorded as a debt discount. The fair value of the warrants at issuance was determined using an option pricing model using the following assumptions: expected term of 0.5 years, risk free interest rate of 0.07% and expected volatility of 107%.

The Company evaluated the Loan in accordance with accounting guidance for derivatives and determined there was de minimis value to the identified derivative features at issuance.

The Company accounts for the debt discount and deferred asset utilizing the effective interest method. The Company recorded interest expense and amortization of the debt discount of $0.7 million for the year ended December 31, 2014.

Long-term debt and unamortized discount balances are as follows (in thousands):

	As of December 31, 2014
Face value of term loan	$ 15,000
Exit fee	600
Unamortized debt discount associated with issuance of preferred stock warrants, exit fee, and loan origination fees	(811)
Term loan, net	$ 14,789

Future minimum payments under the term loan are as follows (in thousands):

Year ending December 31,	
2015	$ 1,043
2016	6,554
2017	6,554
2018	3,877
Total future minimum payments	18,028
Less: unamortized interest	(2,428)
Less: exit fee	(600)
Present value of loan payments	$15,000

The Company used approximately $0.8 million of the proceeds to pay off its existing Term Loan with Square 1 Bank.

8. Convertible Preferred Stock and Stockholders' Deficit

Convertible Preferred Stock

The Company's convertible preferred stock has been classified as temporary equity on the accompanying balance sheets in accordance with authoritative guidance. The preferred stock is not redeemable; however, upon certain change in control events that are outside of the Company's control, including liquidation, sale or transfer of control of the Company, holders of the convertible preferred stock may have the right to receive its liquidation preference under the terms of the Company's certificate of incorporation.

On August 1, 2007, the Company issued 449,295 shares of Series A preferred stock at $31.16 per share raising net cash proceeds of $13.9 million. Concurrently, the outstanding 2007 Notes were converted into 48,138 shares of Series A preferred stock at a conversion price of $31.16 per share.

On July 22, 2008, the Company issued 497,433 shares of Series A preferred stock at $31.16 per share, raising net cash proceeds of $15.5 million.

On August 24, 2010, the Company issued 344,830 shares of Series B preferred stock at $14.50 per share, raising net cash proceeds of $4.9 million pursuant to a Series B Preferred Stock Agreement (the Series B Purchase Agreement). Concurrently, the 2010 Notes including accrued and unpaid interest were converted into 634,472 shares of Series B preferred stock at a conversion price of $14.50 per share.

On October 13, 2010, the Company issued 103,447 shares of Series B preferred stock at $14.50 per share, raising net cash proceeds of $1.5 million.

On March 22, 2011, the Company issued 1,068,973 shares of Series B preferred stock at $14.50 per share, raising net cash proceeds of $15.5 million.

Dividend Provisions

The holders of each outstanding share of Series B preferred stock are entitled to receive annual, noncumulative dividends of 8% of the applicable original issue price per share when and if declared by the Board of Directors, prior and in preference to the holders of the Series A preferred stock and common stock. Following payment of dividends on shares of Series B preferred stock, each share of Series A preferred stock is entitled to receive annual, noncumulative dividends of 8% of the applicable original issuance price of per share when and as declared by the Board of Directors, in preference to any distribution to the holders of the common stock. Any additional dividends or distributions shall be distributed among all holders of common stock and preferred stock in proportion to the number of shares of common stock that would be held by each such holder if all shares of preferred stock were converted to common stock. No dividends have been declared to date.

Liquidation Preference

In the event of a liquidation or winding-up of the affairs of the Company, including a change in control, the holders of each Series B preferred stock share shall be entitled to receive 1.75 times the applicable original issuance price per share, plus declared and unpaid dividends in preference to any distribution to the holders of Series A preferred stock and the common stock. Thereafter, liquidation amounts plus declared and unpaid dividends are paid with the following preference: (1) Series A preferred stock, (2) Series A and B preferred stock and common stock on a pro rata basis as if all shares were converted to common stock until the holders of the preferred stock receive amounts equal to three times the original issue price per share of preferred stock. In the event that, if converted, the holders of preferred stock were to receive an amount greater than the amount that would be distributed to the holders if not converted, then the preferred stock shall be deemed to be converted to common stock for purposes of distributions to be made in a liquidation event.

Voting Rights

The holder of each of share of preferred stock is entitled to one vote for each share of common stock into which it would convert.

Conversion Rights

Each share of preferred stock is convertible, at the option of the stockholder, into shares of common stock at any time after the date of issuance into a number of shares of common stock as is determined by dividing (a) the applicable per share conversion value by (b) the applicable conversion price as such values are set forth in the Company's certificate of incorporation. The resulting initial per share conversion rate is one share of common stock for each share of Series B preferred stock and 1.5226 shares of common stock for each share of Series A preferred stock, as adjusted for stock splits, recapitalizations and certain other events.

Each share shall automatically convert upon (1) election of holders of at least 70% of the then outstanding shares of the Series A preferred stock and holders of at least 70% of the then outstanding shares of the Series B preferred stock, each voting separately as a class, or (2) the closing of an underwritten initial public offering of the Company's common stock with aggregate proceeds of at least $30.0 million and a price of $43.50 per share, as adjusted for stock splits, recapitalizations and certain other events.

In December 2014, the preferred stockholders elected automatic conversion of all outstanding preferred stock, including those shares of preferred stock resulting from the conversion of the Convertible Notes, into the Company's common stock contingent upon the completion of an initial public offering no later than June 30, 2015 and waived any other conversion requirements under the terms of the Company's certificate of incorporation.

The authorized shares, purchase price, number of shares outstanding, and liquidation amount by series of preferred stock as of December 31, 2014 and 2013, are as follows (in thousands, except share and per share data):

As of December 31, 2014:

	Shares Authorized	Purchase Price Per Share	Shares Outstanding	Liquidation Value
Series A preferred stock	1,043,011	$ 31.16	994,866	$ 31,000
Series B preferred stock	5,133,477	$ 14.50	2,151,722	54,600
Total preferred stock	6,176,488		3,146,588	$ 85,600

As of December 31, 2013:

	Shares Authorized	Purchase Price Per Share	Shares Outstanding	Liquidation Value
Series A preferred stock	1,043,011	$ 31.16	994,866	$ 31,000
Series B preferred stock	4,338,221	$ 14.50	2,151,722	54,600
Total preferred stock	5,381,232		3,146,588	$ 85,600

Common Stock Reserved for Issuance

Common stock reserved for issuance is as follows:

	As of December 31,	
	2014	2013
Conversion of preferred stock	3,902,675	3,836,805
Conversion of preferred stock warrants	113,443	77,236
Stock options issued and outstanding	776,636	527,950
Authorized for future stock awards or option grants	385,905	334,651
Total	5,178,659	4,776,642

At December 31, 2014 and 2013, the Company has an aggregate of $30.0 million and $22.0 million, respectively, in principal amount and $4.2 million and $1.8 million, respectively, of accrued interest on the outstanding Convertible Notes. The Convertible Notes and associated preferred stock warrants, may be convertible into securities sold at the Next Equity Financing at a price equal to the price of the stock issued in such a financing or into Series B preferred stock at $14.50 per share upon occurrence of certain future events. As the prices are not determinable until the occurrence of these future events (see Note 7), the Company has excluded the Convertible Notes and associated preferred stock warrants from the above table.

9. Stock-Based Compensation Expense

In August 2007, the Company adopted the 2007 Stock Option Plan (the 2007 Plan). The 2007 Plan provides for issuance of incentive and nonstatutory stock options, and stock purchase rights to acquire restricted stock to employees, non-employee directors and consultants of the Company. In March 2010, the Company terminated the 2007 Plan to set up the 2010 Stock Option Plan (the 2010 Plan), as the successor to the 2007 Plan. Concurrently, the Company canceled 79,466 unissued stock options and transferred 29,363 shares that were formerly reserved for issuance under the 2007 Plan to the 2010 Plan. Further, any stock options subsequently forfeited under the 2007 Plan were not available for future re-issuance either under the 2007 Plan or the 2010 Plan. These transactions resulted in 50,919 shares of the Company's common stock which remained authorized for issuance under the 2007 Plan.

The 2010 Plan provides for issuance of incentive and nonstatutory options and stock purchase rights to acquire restricted stock to employees, non-employee directors and consultants of the Company. During 2010, 2011, 2013 and April 2014, the 2010 Plan was amended to increase the number of shares reserved for issuance to 1,160,904 shares. Terms of the stock option agreements, including vesting requirements, are determined by the Board of Directors, subject to the provisions in the 2007 Plan and 2010 Plan. Options granted by the Company generally vest over a period of four years and expire no later than ten years after the date of grant. Options may be exercised prior to vesting, subject to a right of repurchase by the Company. The exercise price of an incentive or non-qualified stock option shall not be less than 100% of the estimated fair value of the shares on the date of grant, as determined by the Board of Directors. The exercise price of an incentive stock option and nonstatutory stock option granted to a 10% stockholder shall not be less than 110% of the estimated fair value of the share on the date of grant, respectively, as determined by the Board of Directors.

Our board of directors and stockholders adopted the 2014 Equity Incentive Plan (the 2014 Plan). The 2014 Plan became effective immediately upon adoption although no awards may be made under it until the effective date of an initial public offering. Our 2014 Plan will replace our 2010 Plan, and no further grants will be made under such 2010 Plan in the event of an initial public offering. However, options outstanding under the 2010 Plan and our 2007 Plan will continue to be governed by their existing terms.

The following table summarizes stock option activity:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in Years)	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2012	624,416	$ 4.70	8.11	
Granted	119,053	$ 5.02		$ 1.96
Exercised	(14,097)	$ 4.49		
Canceled	(201,422)	$ 4.86		
Outstanding at December 31, 2013	527,950	$ 4.72	7.62	
Granted	605,172	$ 7.07		$ 5.75
Exercised	—	$ —		
Canceled	(356,486)	$ 4.67		
Outstanding at December 31, 2014	776,636	$ 6.57	8.72	
Vested and expected to vest at December 31, 2014	746,462	$ 6.30		
Vested and exercisable at December 31, 2014	149,917	$ 4.85		

For the years ended December 31, 2014 and 2013, the total fair value of vested options was $1.3 million and $1.5 million, respectively.

In February 2013, the Company granted performance-based stock options for 118,676 shares of common stock to its employees. The performance-based stock options will vest, if at all, upon the closing of certain strategic or financing transactions by December 31, 2013. During 2013, satisfaction of the performance condition was not considered probable and accordingly, no stock-based compensation expense was recognized for these performance-based grants. All of these performance-based options expired on December 31, 2013.

In February 2014, the Board of Directors approved an extension to the post-termination exercise period for 157,824 vested stock options held by the former Chief Executive Officer from April 2014 to October 2014. This modification, which was made subsequent to his employment with the Company, was treated as a new award and was accounted for as a liability as there was a possibility for cash settlement of the stock options. The Company recognized $0.1 million in compensation costs on the date of modification and reclassified $0.4 million related to these awards previously recorded in equity to stock award liability. The fair value of the stock award liability was determined using Black-Scholes option-pricing model with expected risk free rate of 0.10%, volatility of 105.34%, dividend yield of zero and term of 0.7 years. The stock award liability was subsequently adjusted to its estimated fair value each reporting period using the Black-Scholes option-pricing method with the change in fair value of the liability recorded as stock-based compensation expense. In October 2014, the options expired unexercised, and the Company reclassified the outstanding stock award liability to equity for $0.3 million.

In July 2014, the Company's board of directors approved 154,165 shares of common stock options to be granted to certain employees concurrent with the completion of an initial public offering, with an exercise price equal to the initial public offering price.

In December 2014, the Company's board of directors approved 7,500 shares of common stock options to be granted to certain members of the board of directors concurrent with the completion of an initial public offering, with an exercise price equal to the initial public offering price.

Intrinsic value is calculated as the difference between the exercise price of the underlying options and the fair value of the common stock for the options that had exercise prices that were lower than the fair value per share of the common stock on the date of exercise. The aggregate intrinsic value of options exercised during the years ended December 31, 2014 and 2013 was $0 and $10,000, respectively.

As of December 31, 2014 and 2013, there was approximately $2.7 million and $0.4 million, respectively, of total unrecognized stock-based compensation expense related to nonvested equity awards. Such cost is expected to be recognized over a weighted-average period of 3.2 years and 2.1 years, respectively.

The following table presents the weighted-average assumptions used in the Black-Scholes option pricing model to determine the fair value of stock options granted in the periods presented:

	Year Ended December 31,	
	2014	2013
Risk-free interest rate	1.83%—2.29%	1.10%—1.68%
Expected dividend yield	— %	— %
Expected price volatility	94.50%—105.40%	95.75%—96.13%
Expected term (in years)	7.0	0.9—10.0
Weighted-average grant date fair value for options granted	$5.75	$1.96

The fair value of each stock option grant was determined by the Company using the methods and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment and estimation by management.

Risk-Free Interest Rate. The risk-free rate assumption is based on observed U.S. Treasury instruments with terms consistent to the expected term of the Company's stock options.

Expected Volatility. Due to the Company's limited operating history and lack of historical or implied volatility, the expected volatility assumption was determined based on historical volatilities of a group of similar industry companies whose share prices are publicly available. The peer group was developed based on companies in the biotechnology industry.

Expected Dividend Yield. The expected dividend assumption is based on the Company's history and expectation of dividend payouts. The company has not paid and has no present intention to pay dividends.

Expected Term. The expected term of stock options represents the weighted-average period that the stock options are expected to be outstanding. Because the Company does not have historical exercise behavior, it determines the expected life assumption using the simplified method, which is an average of the options ordinary vesting period and the contractual term.

Forfeiture Rate. The Company reduces stock-based compensation expense for estimated forfeitures. Forfeitures are estimated at the time of grant based on historical experience, and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Fair Value of Common Stock . Historically, the fair value of the shares of common stock underlying the stock options has been the responsibility of and determined by the Company's Board of Directors. Because there has been no public market for the Company's common stock, the Board of Directors determined fair value of common stock at the time of grant of the option by considering a number of objective and subjective factors including independent third-party valuations of the Company's common stock, sales prices of convertible preferred stock to unrelated third parties, operating and financial performance, the lack of liquidity of capital stock and general and industry specific economic outlook, among other factors.

Stock-based compensation expense related to options granted was allocated as follows (in thousands):

	Year Ended December 31,	
	2014	2013
Research and development	$151	$188
General and administrative	594	235
Total	$745	$423

Aggregate options outstanding, vested and exercisable by exercise price at December 31, 2014 are as follows (in thousands except share and per share data):

	Options Outstanding			Options Vested and Exercisable		
Range of Exercise Prices	Number of Options	Weighted-Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value	Number of Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value
$3.70 — $11.62	776,636	8.72	$1,681	149,917	$4.85	$567

The intrinsic values of outstanding, vested and exercisable options were determined by multiplying the number of shares by the difference between the exercise price of the options and the fair value of the common stock as of December 31, 2014 of $8.63 per share.

10. Commitments

The Company leased office space for approximately 7,500 square feet that expired in November 2013.

The Company leased office space encompassing approximately 7,000 square feet that expired in August 2014.

In May 2014, the Company entered into a five-year operating lease agreement for new corporate headquarters for approximately 7,400 square feet of office space. The lease contains escalating rent payments over the lease term and approximately $0.3 million tenant improvement allowance. The lease term commenced on August 8, 2014. The lease also contains an option to extend the term for an additional five years.

Future minimum lease payments as of December 31, 2014, are summarized as follows (in thousands):

	Capital Leases	Operating Leases
Year ending December 31,		
2015	$ 26	$ 287
2016	26	296
2017	17	304
2018	—	314
Thereafter	—	213
Total minimum lease payments	69	$ 1,414
Less: interest	(8)	
Present value of minimum lease payments	61	
Less: current portion of capital leases	21	
Capital leases, net of current portion	$ 40	

The Company recognizes its rent expense on a straight-line basis over the noncancelable term of its operating lease. Rent expense for the years ended December 31, 2014 and 2013, was $0.3 million and $0.2 million, respectively.

11. Income Taxes

The following table provides a reconciliation between income taxes computed at the federal statutory rate of 34% and the provision for income taxes:

	Year Ended December 31,	
	2014	2013
Expected income tax benefit at the federal statutory tax	34.0%	34.0%
State income taxes, net of federal benefit	5.4	(4.3)
Other	1.7	3.8
Change in valuation allowance	(42.2)	(33.5)
Income tax (benefit) expense	(1.1%)	0.0%

Significant components of the Company's net deferred tax assets are as follows (in thousands):

	As of December 31,	
	2014	2013
Deferred tax assets:		
Net operating loss	$ 33,485	$ 27,307
Capitalized research and development	6,045	3,648
Research and development tax credit	1,345	840
Depreciation and amortization	819	854
Stock-based compensation	489	288
Accrued expenses	330	27
Deferred rent	110	—
Total deferred tax assets	42,623	32,964
Deferred tax liabilities:		
Beneficial conversion feature	(13)	(387)
Net deferred tax asset	42,610	32,577
Less: valuation allowance	(42,610)	(32,577)
Net deferred tax assets	$ —	$ —

At December 31, 2014, the Company had federal and state net operating loss carryforwards of approximately $90.8 million and $44.9 million, respectively. The federal loss carryforwards will begin expiring in 2026, and the state loss carryforwards will begin expiring in 2016, unless previously utilized. The Company also has federal and California research and development credit carryforwards totaling $1.6 million and $0.4 million, respectively. The federal research and development credit carryforwards will begin to expire in 2033, unless previously utilized. The California research credits do not expire.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. Based on the weight of all evidence, including a history of operating losses and the Company's ability to generate future taxable income to realize these assets, management has determined that it is more likely than not that the net deferred tax assets will not be realized and a full valuation allowance has been established to offset the net deferred tax asset. The Company's valuation allowance increased by approximately $10.0 million and $6.4 million during 2014 and 2013, respectively.

Future utilization of the Company's net operating loss and research and development credits carryforwards to offset future taxable income may be subject to an annual limitation, pursuant to Internal Revenue Code (IRC) Sections 382 and 383, as a result of ownership changes that may have occurred or that could occur in the future. An ownership change occurs when a cumulative change in ownership of more than 50% occurs within a three-year period. The Company has not completed an IRC Section 382/383 analysis regarding the limitation of net operating loss and research and development credit carryforwards.

The Company does not expect this analysis to be completed within the next 12 months and, as a result, the Company does not expect the unrecognized tax benefits will change within 12 months. Due to the existence of the valuation allowance, future changes in the Company's unrecognized tax benefits will not change the Company's effective tax rate. The Company has not been audited by the Internal Revenue Service or any state tax authority. The Company is subject to taxation in the United States. Because of the net operating loss and research credit carryforwards, substantially all of the tax years, from 2006 through 2013, remain open to U.S. federal and state tax examinations.

The impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. There were no unrecognized tax benefits recorded by the Company. There are no unrecognized tax benefits included in the balance sheets that would, if recognized, affect the effective tax rate.

The Company's practice is to recognize interest and/or penalties related to income tax matters as income tax expense. The Company has no accruals for interest or penalties on its accompanying balance sheets as of December 31, 2014 and 2013, and has not recognized interest and/or penalties in its Statements of Operations and Comprehensive Loss for the year ended December 31, 2014.

The Company is subject to taxation in the United States and California. The Company is subject to tax examination by tax authorities in those jurisdictions for 2008 and forward.

During the years 2009 and 2010 the Company recorded a total of $1.0 million as an income tax benefit in the statements of operations and comprehensive loss for the sale of net operating losses of $1.1 million under the New Jersey Economic Development Agency (NJEDA) Technology Tax Certificate Transfer Program. During 2014, the Company repaid the NJEDA $0.3 million as a pro-rated portion of the sales price of the sale of the net operating losses because the Company did not maintain its headquarters in the state of New Jersey for a period of five years subsequent to the sale. The repayment is recorded as an income tax expense in the accompanying Statements of Operations and Comprehensive Loss.

12. Takeda License

In August 2007, as amended in November 2009, the Company entered into an exclusive license agreement with Takeda Pharmaceutical Company Limited (Takeda). The license provides the Company with the worldwide right to manufacture, develop and commercialize cenicriviroc and TAK-220. Under this agreement, through December 31, 2014, the Company paid to Takeda an upfront license fee of $3.0 million which was expensed to research and development. Additionally, the Company is obligated to pay to Takeda up to $102.0 million in the aggregate in development and sales milestones. The Company is also obligated to pay to Takeda tiered royalties based on aggregate annual net sales of all licensed products from the high single digit to the low double digit percentage of net sales, subject to certain reductions and exceptions. The Company's obligation to pay royalties to Takeda expires on a country-by-country basis on the later of either expiration of the last to expire patent assigned to the Company under the agreement, or the earlier of the twelfth anniversary of the first commercial sale of the product or one or more generic versions of the product achieving a certain market share in such country.

13. Subsequent Events

The Company has evaluated subsequent events through March 4, 2015:

On January 14, 2015, and as amended on January 23, 2015, the Company entered into a definitive Agreement and Plan of Merger and Reorganization (merger agreement) under which it will merge with Regado Biosciences, Inc. (NASDAQ: RGDO) (Regado) in an all-stock transaction. Subject to the terms and conditions of the merger agreement, at the closing of the transaction, Regado will be renamed Tobira Therapeutics, Inc., and will be under the leadership of Tobira's chief executive officer.

On a pro forma basis, prior to the financing transaction discussed below, based upon the number of shares of Regado common stock to be issued in the merger, current Regado stockholders will own approximately 32% of the combined company and current Tobira stockholders will own approximately 68% of the combined company (determined before accounting for the financing transaction discussed below). The final number of shares will be subject to adjustments at closing based on each company's cash balances and other matters at closing. The transaction has been approved by the board of directors of both companies. The merger is expected to close in the second quarter of 2015, subject to the approval of the stockholders of each company, review by the Securities and Exchange Commission and other customary closing conditions as detailed in the merger agreement.

Concurrent with the execution of the merger agreement, a Tobira investor syndicate has committed to invest up to $22.0 million in the combined company. This financing is expected to fully fund the CVC development program through the completion of the Phase 2b program. The financing is expected to close before or concurrently with the completion of the merger.

On January 24, 2015, the Company amended the Convertible Notes to extend the maturity date from March 18, 2015 such that they mature on the earlier of the completion of the merger with Regado Biosciences (the Merger) or the Next Equity Financing.

On January 24, 2015, the holders of the Convertible Notes elected to convert the principal and accrued and unpaid interest of the Convertible Notes into shares of Series B preferred stock at $14.50 per share, subject to adjustment for stock splits, recapitalization and certain other events upon the completion of the Merger. Additionally, the holders of preferred stock warrants issued in connection with the Convertible Notes elected to net exercise their warrants upon closing of the Merger.

On January 24, 2015, the preferred stockholders elected automatic conversion of all outstanding preferred stock, including those shares of preferred stock resulting from the conversion of the Convertible Notes, into the Company's common stock upon the completion of the Merger and waived any other conversion requirements under the terms of the Company's certificate of incorporation.

On February 2, 2015, a purported stockholder of Regado filed a putative class-action lawsuit (captioned Maiman v. Regado Biosciences, Inc., Case No. 10606-CB) in the Court of Chancery of the State of Delaware, challenging the proposed all-stock Merger of Regado with Tobira. On February 25, 2015, a second putative class-action lawsuit challenging the Merger was filed in Delaware (captioned Gilboa v. Regado Biosciences, Inc., Case No. 10720-CB). The complaints name as defendants: (i) each member of Regado's Board of Directors, (ii) Regado, (iii) Tobira, and (iv) Landmark Merger Sub Inc. The plaintiffs allege that Regado's directors breached their fiduciary duties to Regado's stockholders by, among other things, (a) agreeing to merge Regado with Tobira for inadequate consideration, (b) implementing a process that was distorted by conflicts of interest, and (c) agreeing to certain provisions of the Merger Agreement that are alleged to favor Tobira and deter alternative bids. The plaintiffs also generally allege that the entity defendants aided and abetted the purported breaches of fiduciary duty by the directors. The plaintiffs seek an injunction against the consummation of the Merger and an award of costs and expenses, including a reasonable allowance for attorneys' and experts' fees. Tobira believes the litigation is without merit.

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

Reverse Merger

On May 4, 2015, Regado Biosciences, Inc., a Delaware corporation (Regado), completed its business combination with Tobira Therapeutics, Inc. (Private Tobira) in accordance with the terms of an Agreement and Plan of Merger and Reorganization, dated as of January 14, 2015, as amended on January 23, 2015 (the Merger Agreement) by and among Regado, Landmark Merger Sub Inc., Private Tobira, and Brent Ahrens, as the Company's stockholders' agent. On May 4, 2015, pursuant to the Merger Agreement, the Merger Subsidiary merged with and into Private Tobira, with Private Tobira surviving the merger and becoming a wholly owned subsidiary of Regado (the Merger). In connection with the Merger, the name of Private Tobira was changed to Tobira Development, Inc. and Regado effected a one for nine reverse stock split and changed its name to Tobira Therapeutics, Inc. (Tobira or the Company). For accounting purposes, Private Tobira is considered the acquiring company in the Merger. The Company is currently evaluating the impact of the purchase accounting for this business combination and expects to complete its analysis and record the transaction in its June 30, 2015 financial statements.

In connection with the Merger, each outstanding share of Private Tobira common stock, including shares issued immediately prior to the Merger related to the automatic conversion of principal and interest due and payable by Private Tobira under certain convertible promissory notes, as well as the net exercise of certain warrants to purchase Private Tobira common stock, was canceled and automatically converted into and became the right to receive approximately 1.4302 shares of Regado common stock as adjusted by the one for nine reverse stock split. Additionally, each outstanding vested and unvested option to purchase Private Tobira common stock as well as warrants to purchase Private Tobira common stock were converted into an option or warrant, as applicable, to purchase common stock of the Company.

Immediately following the Merger, Tobira entered into a Purchase Agreement with certain stockholders of Private Tobira and certain other accredited investors, which provided for the sale and issuance of 2,542,365 shares of common stock at $10.62 per share for total financing of $27.0 million (the Financing). Following the reverse stock split, the Financing, and the Merger, the Company has approximately 17.4 million shares of common stock outstanding.

Event Subsequent to the Reverse Merger

On May 15, 2015, the holders of the Series F convertible preferred stock elected conversion of all preferred shares into 222,222 shares of common stock of the Company. The accounting impact of the conversion will be evaluated as part of the Company's financial statements as of June 30, 2015. The following unaudited pro forma combined financial statements do not give effect to this conversion.

Unaudited Pro Forma Combined Financial Statements

The following unaudited pro forma combined balance sheet as of March 31, 2015 and the unaudited pro forma combined statement of operations for the three months ended March 31, 2015 and for the year ended December 31, 2014, which give effect to the Merger are presented herein for illustrative purposes and are based on assumptions and adjustments described in the accompanying notes. Tobira is considered to be the acquiring company for accounting purposes, and the transaction will be accounted for by Tobira as a reverse acquisition under the acquisition method of accounting for business combinations. Accordingly, the acquisition consideration for accounting purposes consists of Regado common stock, Regado Series F convertible preferred stock and the fair value of vested options issued by Regado that were outstanding at the date of the Merger immediately prior to closing, assuming any acceleration as a result of the Merger. Assets and liabilities of Regado will be measured at fair value and added to the assets and liabilities of Private Tobira, and the historical results of operations of Private Tobira will be reflected in the results of operations of the Company following the Merger.

The unaudited pro forma combined balance sheet combines the unaudited pro forma adjusted balance sheet of Regado and the unaudited balance sheet of Tobira and gives effect to the merger as if it had been completed on March 31, 2015. The unaudited pro forma combined statement of operations for the three months ended March 31, 2015 and for the year ended December 31, 2014 combine the historical pro forma adjusted results of Regado and the historical results of Tobira and give effect to the Merger as if it had occurred on January 1, 2014.

The pro forma combined financial statements do not purport to represent the actual financial condition or results of operations as of March 31, 2015 or any period thereafter, including the closing date of the Merger, for the combined company. The unaudited pro forma combined financial statements are based on unaudited historical financial statements of Regado and Private Tobira including unaudited pro forma adjustments to derive the financial condition and results of operations of the combined company on an unaudited pro forma basis. The unaudited pro forma combined financial statements do not give effect to the potential impact of current financial conditions, regulatory matters, operating efficiencies or other savings or expenses that may be associated with the acquisition. The unaudited pro forma adjusted financial statements of Regado, which are being combined with the historical financial statements of Tobira as described above, have been developed by applying pro forma adjustments to Regado's historical financial statements prepared in accordance with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of SEC Regulation S-X. The Regado balance sheet as of March 31, 2015 and statement of operations and comprehensive loss for the three months ended March 31, 2015 and the year ended December 31, 2014 were derived and should be read in conjunction with the following:

- historical unaudited consolidated financial statements and accompanying notes of Regado as of and for the three months ended March 31, 2015 included in its Quarterly Report on Form 10-Q for the three months ended March 31, 2015 filed with the SEC on April 29, 2015;
- historical audited consolidated financial statements and accompanying notes of Regado as of and for the year ended December 31, 2014 included in its annual report on Form 10-K for the year ended December 31, 2014 filed with the SEC on February 12, 2015 and as amended on Form 10-K/A on April 30, 2015;
- historical audited financial statements of Regado as of and for the year ended December 31, 2014 included in the definitive proxy statement relating to the Reverse Merger between Regado Biosciences, Inc. and Tobira Therapeutics, Inc. filed with the SEC on Schedule 14A on March 24, 2015; and
- Regado's Current Report on Form 8-K filed with the SEC on March 2, 2015.

The Private Tobira balance sheet as of March 31, 2015 and statement of operations and comprehensive loss for the three months ended March 31, 2015 and the year ended December 31, 2014 were derived and should be read in conjunction with the following:

- historical unaudited financial statements and accompanying notes of Private Tobira as of and for the three months ended March 31, 2015 included in this Current Report on Form 8-K/A, Exhibit 99.1;
- historical audited financial statements of Private Tobira as of and for the year ended December 31, 2014 included in the definitive proxy statement relating to the Reverse Merger between Regado Biosciences, Inc. and Tobira Therapeutics, Inc. filed with the SEC on March 24, 2015 and included in this Current Report on Form 8-K/A, Exhibit 99.2; and
- Tobira's Current Reports on Form 8-K filed with the SEC on May 20, 2015 and May 7, 2015.

The unaudited pro forma combined financial statements were prepared in accordance with the regulations of the SEC. The pro forma adjustments reflecting the completion of the Merger are based upon the preliminary accounting analysis conclusion that the Merger, without the completion of a valuation of the identifiable intangibles, should be accounted for under the acquisition method of accounting in accordance with GAAP and upon the assumptions set forth in the notes to the unaudited pro forma combined financial statements.

The historical financial statements have been adjusted to give pro forma effect to events that are (i) directly attributable to the Merger, (ii) factually supportable, and (iii) with respect to the statement of operations, expected to have a continuing impact on the combined results. The pro forma combined financial statements and pro forma adjustments have been prepared based on preliminary estimates of fair value. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying unaudited pro forma combined financial statements and the Company's future results of operations and financial position. The actual amounts recorded as of the completion of the Merger may differ materially from the information presented in these unaudited pro forma combined financial statements as a result of the cash used in the Regado operations between March 31, 2015 and the closing of the Merger and other changes in the Regado net assets that occur prior to the completion of the Merger, which may cause material differences in the information presented below.

The number of shares of Regado common stock used to calculate the acquisition consideration was determined pursuant to the Merger Agreement and reflects the outstanding common stock as of May 4, 2015, which includes "as if converted" common stock from its Series F convertible preferred stock and stock options outstanding on the Merger date. The amount of acquisition consideration is based upon the fair value of Regado's stock of $10.89 as of May 4, 2015. The fair value of the assets acquired and liabilities assumed that will be used in acquisition accounting are based upon preliminary estimates and may differ significantly from the final acquisition accounting.

Because Tobira will be treated as the accounting acquirer, Tobira's assets and liabilities will be recorded at their precombination carrying amounts and the historical operations that are reflected in the financial statements will be those of Tobira. Regado's assets and liabilities will be measured and recognized at their fair values as of the transaction date, and consolidated with the assets, liabilities and results of operations of Tobira after the consummation of the merger. The unaudited pro forma combined statements of operations include certain purchase accounting adjustments, including items expected to have a continuing impact on the combined results.

The unaudited pro forma combined statements of operations do not include the impacts of any cost or other operating synergies that may result from the merger or any related restructuring costs. The unaudited pro forma combined statements of operations do not reflect certain amounts resulting from the merger that were determined to be of a non-recurring nature.

Legal Proceedings

On February 2, 2015, a purported stockholder of Regado filed a putative class-action lawsuit (captioned Maiman v. Regado Biosciences, Inc., C.A. No. 10606-CB) in the Court of Chancery for the State of Delaware (the "Court"), challenging the proposed stock-for-stock Merger of Regado with Tobira ("Proposed Merger"). On February 25, 2015, a second, related putative class action (captioned Gilboa v. Regado Biosciences, Inc., C.A. No. 10720-CB) was filed in the Court challenging the Proposed Merger. On May 4, 2014, the Proposed Merger was consummated and Tobira became a wholly-owned subsidiary of Regado and changed its name to Tobira Development Inc. ("Private Tobira"). The complaints name as defendants: (i) each member of Regado's Board of Directors, (ii) Regado, (iii) Private Tobira, and (iv) Landmark Merger Sub Inc. Plaintiffs allege that Regado's directors breached their fiduciary duties to Regado's stockholders by, among other things, (a) agreeing to merge Regado with Private Tobira for inadequate consideration, (b) implementing a process that was distorted by conflicts of interest, and (c) agreeing to certain provisions of the Merger Agreement that are alleged to favor Private Tobira and deter alternative bids. Plaintiffs also generally allege that the entity defendants aided and abetted the purported breaches of fiduciary duty by the directors. On March 25, 2015, the Court consolidated the two actions and assigned lead counsel for plaintiffs (captioned In re Regado Biosciences, Inc. Stockholder Litigation, Consolidated C.A. No. 10606-CB). On March 27, 2015, plaintiffs filed a consolidated amended complaint, a motion for expedited proceedings and a motion for preliminary injunction. On April 20, 2015, the parties agreed in principle to resolve the litigation (subject to approval by the Court) and signed a memorandum of understanding setting forth the terms of a proposed settlement to provide additional disclosures related to the Merger Agreement and cover Court awarded fees. On April 23, 2015, as part of the proposed settlement, Regado provided additional disclosures to its stockholders. As of March 31, 2015, the Company has accounted this matter as a contingency because it is unable to reasonably estimate an amount and/or a range of loss until the Company is made aware of Court fees awarded to the plaintiffs under the proposed settlement, if any, as administered under settlement law. The Company maintains D&O insurance and tail coverage with deductibles of $2.0 million and $1.5 million respectively, and expects to evaluate and/or recognize the impact, if any, in its financial statements as of June 30, 2015.

UNAUDITED PRO FORMA COMBINED BALANCE SHEET
MARCH 31, 2015
(In thousands)

	Regado Biosciences, Inc.	Tobira Therapeutics, Inc.	Pro Forma Adjustments		Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 44,460	$ 13,177	$ 27,000	K	$ 84,637
Prepaid expenses and other current assets	630	288	—		918
Other assets	158	—	—		158
Total current assets	45,248	13,465	27,000		85,713
Property and equipment, net	11	466	(11)	G	466
Other assets	—	329	—		329
Restricted cash	—	334	—		334
Intangible assets	—	—	10,792	J	10,792
Total assets	$ 45,259	$ 14,594	$ 37,781		$ 97,634
Liabilities, convertible preferred stock and stockholders' equity (deficit)					
Current liabilities:					
Accounts payable	$ 417	$ 1,788	$ —		$ 2,205
Accrued expenses and other liabilities	7,332	8,453	(2,659)	B, H	13,126
Capital lease obligation	—	23	—		23
Deferred rent	—	55	—		55
Warrant liability	1	—	(1)	F	—
Term loan	—	1,066	—		1,066
Convertible notes, related party	—	35,944	(35,944)	B	—
Convertible notes	—	7,000	(7,000)	B	—
Total current liabilities	7,750	54,329	(45,604)		16,475
Capital lease obligations	—	33	—		33
Deferred rent	—	211	—		211
Term loan	—	13,799	—		13,799
Preferred stock warrant liabilities	—	424	(424)	D, E	—
Total liabilities	7,750	68,796	(46,028)		30,518
Commitments and contingencies					
Series A, noncumulative convertible preferred stock	—	30,908	(30,908)	C	—
Series B, noncumulative convertible preferred stock	—	31,074	(31,074)	C	—
Stockholders' equity (deficit):					
Series F, convertible preferred stock	24,832	—	—		24,832
Common stock	4	—	13	H, I, K	17
Additional paid-in capital	232,704	4,608	(219,281)	A, H	18,031
			47,819	B	47,819
			61,982	C	61,982
			424	D, E	424
			(2,576)	F, G, H	(2,576)
			(11)	I	(11)
			10,792	J	10,792
			26,998	K	26,998
Accumulated other comprehensive income (loss)	—	—	—		—
Accumulated deficit	(220,031)	(120,792)	219,631	A, H	(121,192)
Total stockholders' equity (deficit)	37,509	(116,184)	145,791		67,116
Total liabilities, convertible preferred stock and stockholders' equity (deficit)	$ 45,259	$ 14,594	$ 37,781		$ 97,634

See accompanying notes to unaudited pro forma combined financial statements.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2015
(In thousands, except share and per share data)

	Regado Biosciences, Inc.	Tobira Therapeutics, Inc.	Pro Forma Adjustments		Pro Forma Combined
Operating expenses:					
Research and development	$ 3,653	$ 5,671	$ —		$ 9,324
General and administrative	4,234	2,152	—		6,386
Total operating expenses	7,887	7,823	—		15,710
Loss from operations	(7,887)	(7,823)	—		(15,710)
Other income (expense), net	(53)	791	(1,143)	B, C, E, F	(405)
Loss before income tax expense	(7,940)	(7,032)	(1,143)		(16,115)
Income tax expense	—	—	—		—
Net loss and comprehensive loss	$ (7,940)	$ (7,032)	$ (1,143)		$ (16,115)
Net income (loss) attributable to preferred stockholders	$ (446)	$ —	$ 207		$ (239)
Net loss attributable to common stockholders, basic and diluted	$ (7,494)	$ (7,032)	$ (1,350)		$ (15,876)
Net loss per share, basic and diluted	$ (2.01)	$ (24.92)	$ (0.10)		$ (0.91)
Weighted-average common shares outstanding, basic and diluted	3,734,356	282,157	13,678,571		17,412,927

See accompanying notes to unaudited pro forma combined financial statements.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands, except share and per share data)

	Regado Biosciences, Inc.	Tobira Therapeutics, Inc.	Pro Forma Adjustments		Pro Forma Combined
Operating expenses:					
Research and development	$ 54,926	$ 12,181	$ —		$ 67,107
General and administrative	11,699	7,840	—		19,539
Total operating expenses	66,625	20,021	—		86,646
Loss from operations	(66,625)	(20,021)	—		(86,646)
Other income (expense), net	(487)	(3,808)	3,051	B, C, E, F	(1,244)
Income (loss) before income tax expense	(67,112)	(23,829)	3,051		(87,890)
Income tax expense	—	271	—		271
Net income (loss)	(67,112)	(24,100)	3,051		(88,161)
Deemed dividend related to beneficial conversion feature of Series F convertible preferred stock	(14,840)	—	—		(14,840)
Net income (loss) and comprehensive income (loss)	$ (81,952)	$ (24,100)	$ 3,051		$ (103,001)
Net income (loss) attributable to preferred stockholders	$ (3,972)	$ —	$ 2,483		$ (1,489)
Net income (loss) attributable to common stockholders, basic and diluted	$ (77,980)	$ (24,100)	$ 568		$ (101,512)
Net income (loss) per share, basic and diluted	$ (22.89)	$ (85.41)	$ 0.04		$ (5.94)
Weighted-average common shares outstanding, basic and diluted	3,406,536	282,157	13,678,571		17,085,107

See accompanying notes to unaudited pro forma combined financial statements.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

1. Description of Transaction and Basis of Presentation

Description of Transaction

On January 14, 2015, as amended on January 23, 2015, Regado entered into the Merger Agreement with Private Tobira. Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, Private Tobira merged into a subsidiary of Regado effective May 4, 2015 and became the surviving entity. Regado was re-named Tobira Therapeutics, Inc. in connection with the Merger. Concurrent with the Merger, certain investors purchased $27.0 million of common stock in the Company. The references to "the Company" in this footnote 1 refer to the combined merged companies following the Merger.

Immediately prior to the effective time of the Merger, the principal and accrued interest of outstanding convertible notes of Private Tobira converted into shares of the Series B preferred stock of Private Tobira and then all outstanding preferred stock of Private Tobira converted into common stock of Private Tobira. Each Private Tobira warrant issued to Square 1 Bank in connection with a Loan and Security Agreement between Square 1 Bank and Private Tobira dated as of November 9, 2011 and Oxford Finance LLC in connection with a Loan and Security Agreement between Oxford Finance LLC and Tobira dated as of June 30, 2014 that were outstanding and unexercised as of and immediately prior to the effective time of the Merger were exchanged for warrants to purchase Regado common stock. All other Tobira warrants were net exercised immediately prior to the Merger and converted into Tobira common stock at a price equal to a quotient determined by dividing $93.0 million by the number of Tobira common shares outstanding, determined on a fully diluted basis assuming net exercise of all options and warrants. Subsequent to such net exercise, each applicable Tobira warrant was terminated and cancelled in full. At the effective time of the Merger, each outstanding share of the common stock of Private Tobira was converted into the right to receive that number of shares of Regado common stock at an exchange ratio of approximately 1.4302 as determined pursuant to terms of the Merger Agreement, and all outstanding options, warrants or other rights to purchase shares of capital stock of Private Tobira, were exchanged for rights to acquire Regado common stock. No fractional shares of Regado common stock were issued in connection with the Merger, and holders of Private Tobira capital stock were entitled to receive cash for any fractional share ownership in lieu of stock thereof.

At the completion of the Merger, Regado stockholders owned approximately 26% of the combined Company and Private Tobira stockholders owned approximately 74% of the combined Company (determined prior to the accounting for the Financing completed at the closing of the Merger). Private Tobira's stipulated valuation in the Merger was $93.0 million and the Net Cash of Regado as defined in the Merger Agreement was approximately $33.4 million, as determined pursuant to the terms of the Merger Agreement.

Basis of Presentation

The unaudited pro forma combined financial statements were prepared in accordance with the regulations of the Securities and Exchange Commission (SEC) and are intended to show how the Merger might have affected the historical financial statements if the Merger had been completed on January 1, 2014 for the purposes of the statement of operations, and as of March 31, 2015 for purposes of the balance sheet. Based on the terms of the Merger, Private Tobira is deemed to be the acquiring company for accounting purposes and the transaction will be accounted for as a reverse acquisition under the acquisition method of accounting for business combinations in accordance with accounting principles generally accepted in the United States. Accordingly, the assets and liabilities of Regado will be recorded as of the Merger closing date at their estimated fair values.

The pro forma adjustments are preliminary and based on management's estimates of the fair value of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the acquisition. These estimates are based on the most recently available information. To the extent there are significant changes to the combined company's business following completion of the Merger, the assumptions and estimates set forth in the unaudited pro forma combined financial statements could change significantly. Accordingly, the pro forma purchase price adjustments are subject to further adjustments as additional information becomes available and as additional analyses are conducted following completion of the Merger. There can be no assurances that these additional analyses and will not result in material changes to the estimates of fair value.

The unaudited pro forma combined statement of operations and comprehensive loss for the three months ended March 31, 2015 and the year ended December 31, 2014 combine the audited historical statements of operations and comprehensive loss of Regado and Private Tobira for their respective three months ended March 31, 2015 and year ended December 31, 2014 and give pro forma effect to the Merger as if it had been completed on January 1, 2014.

The unaudited pro forma combined financial statements assume an exchange ratio of 1.4302 shares of Regado common stock for each share of Tobira common stock. The exchange ratio for purposes of the pro forma financials assumes Regado Net Cash of $33.4 million, which is the estimated Net Cash as of the Merger closing as defined in the Merger Agreement. The exchange ratio, calculated pursuant to the formulas set forth in the Merger Agreement, is based on the number of shares of Regado common stock and Private Tobira capital stock on a fully-diluted basis assuming net exercise of all vested options and warrants (in other words, inclusive of all shares of Regado common stock issuable upon conversion of any securities convertible into or exercisable or exchangeable for shares of Regado or Private Tobira common stock) as of immediately prior to completion of the Merger and gives effect to Regado's one for nine reverse stock split.

2. Purchase Price

The preliminary estimated total purchase price of the Merger is as follows (in thousands):

Fair value of Regado stock outstanding	$40,667
Estimated fair value of Regado Series F convertible preferred stock outstanding	2,420
Estimated fair value of vested Regado stock options	2,637
Estimated total purchase price	$45,724

For pro forma purposes, the fair value of Regado common stock used in determining the purchase price was $10.89 per share based on the closing price of Regado common stock on May 4, 2015, the date of the closing of the Merger. The Company will expense all transaction costs as incurred.

Under the acquisition method of accounting, the total purchase price is allocated to the acquired tangible and intangible assets and assumed liabilities of Regado based on their estimated fair values as of the Merger closing date. The excess of the purchase price over the fair value of assets acquired and liabilities assumed, if any, is allocated to goodwill.

The allocation of total preliminary estimated purchase price to the acquired tangible assets and liabilities assumed of Regado based on the estimated fair values as of March 31, 2015 is as follows (in thousands):

Cash, cash equivalents and restricted cash	$ 44,460
Prepaid expenses and other assets acquired	788
Intangible assets	10,792
Other assumed liabilities, of which $0.75 million is settled in common stock	(10,316)
Total	$ 45,724

The purchase price allocation will remain preliminary until Tobira completes a final valuation of the assets acquired and liabilities assumed as of the merger closing date. The Company believes that the historical values of Regado's current assets and current liabilities approximate their fair value based on the short term nature of such items. Regado's property and equipment has not been assigned a fair value as the assets were transferred as part of the lease assignment for Regado's office facility in New Jersey. The identifiable intangible assets are Regado's technology, which consists primarily of its intellectual property related to its product candidates.

The Company has preliminarily concluded that the merger transaction is a business combination pursuant to ASC 805 *Business Combinations* and thus will record the fair value of intangible assets. The Company has not performed a valuation but has estimated and recorded the intangible assets as a difference between the purchase price and the acquired tangible assets and liabilities. The accounting analysis is preliminary and further analysis and the completion of a valuation may result in the capitalized intangible asset being recorded as acquired in-process research and development (IPR&D). Alternatively, if the accounting analysis indicates that the Merger is an asset acquisition, any amounts determined to be IPR&D would be recorded to the Statement of Operations and Comprehensive Loss.

3. Pro Forma Adjustments

The unaudited pro forma combined financial statements include pro forma adjustments to give effect to certain significant transactions of Tobira as a direct result of the Merger, the acquisition of Regado by Private Tobira for accounting purposes.

The pro forma adjustments reflecting the completion of the Merger are based upon the preliminary accounting analysis conclusion that the Merger should be accounted for under the acquisition method of accounting and upon the assumptions set forth below.

The unaudited pro forma combined financial statements reflect the effect of the Regado one for nine reverse stock split.

The pro forma adjustments are as follows:

(A) To reflect the elimination of historical accumulated deficit.

(B) To reflect the conversion of Private Tobira’s convertible notes payable and accrued interest to Regado common stock in connection with the Merger.

(C) To reflect the conversion of Private Tobira’s Series A and B preferred stock to Regado common stock in connection with the Merger and the associated change in valuation of preferred stock warrants on the related statement of operations.

(D) To reflect the net exercise of Private Tobira preferred stock warrants into Regado common stock in connection with the Merger.

(E) To reflect the conversion of Private Tobira Square 1 Bank and Oxford Finance, LLC preferred stock warrants into Regado common stock warrants, eliminating the terms that caused the preferred stock warrants to be accounted for as a liability.

(F) To reflect the conversion of Regado warrants classified as a liability into common stock warrants, eliminating the terms that caused the preferred stock warrants to be accounted for as a liability, and the associated change in valuation of warrants on the related statement of operations.

(G) To reflect the preliminary estimated fair value adjustment to property and equipment acquired in the Merger. These assets are deemed to have no fair value.

(H) To reflect estimated transactions costs payable in cash that were not incurred as of March 31, 2015. The estimated amounts include deal related severance, transaction costs and fees to financial advisors. Approximately $750,000 of such costs were paid in common stock.

(I) To reflect the issuance of Regado common stock.

(J) Represents the preliminary assessment of the fair value of Regado’s identifiable intangible assets acquired in the Merger calculated as the difference between the purchase price and the acquired tangible assets and liabilities.

(K) To reflect the sale and issuance of common stock at $10.62 per share for gross proceeds of $27.0 million upon the closing of the merger.

4. Subsequent Transaction

The unaudited pro forma combined financial statements do not reflect the following transaction, which occurred subsequent to March 31, 2014:

On May 15, 2015, the holders of the Series F convertible preferred stock elected conversion of all preferred shares into 222,222 shares of common stock of the Company. The accounting impact of the conversion will be evaluated as part of the Company’s financial statements as of June 30, 2015.