

Esperion Therapeutics, Inc.  
Form 10-Q  
May 04, 2016  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Form 10-Q**

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

**For the quarterly period ended March 31, 2016**

**OR**

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

**For the transition period from                      to**

**Commission file number: 001-35986**

**Esperion Therapeutics, Inc.**

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(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**26-1870780**  
(I.R.S. Employer  
Identification No.)

**3891 Ranchero Drive, Suite 150**

**Ann Arbor, MI 48108**

(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code:

**(734) 887-3903**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

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

As of May 1, 2016, there were 22,541,028 shares of the registrant's Common Stock, \$0.001 par value per share, outstanding.



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(in thousands, except share data)

|   | March 31,<br>2016<br>(unaudited) | December 31,<br>2015 |
|---|----------------------------------|----------------------|
| <b>Assets</b>   |                                  |                      |
| Current assets:   |                                  |                      |
| Cash and cash equivalents   | \$ 37,207                        | \$ 77,336            |
| Short-term investments  | 157,263                          | 134,925              |
| Prepaid clinical development costs  | 1,430                            | 888                  |
| Other prepaid and current assets  | 1,154                            | 1,245                |
| Total current assets  | 197,054                          | 214,394              |
| Property and equipment, net   | 743                              | 807                  |
| Intangible assets   | 56                               | 56                   |
| Long-term investments   | 88,183                           | 80,315               |
| Total assets  | \$ 286,036                       | \$ 295,572           |
| <b>Liabilities and stockholders equity</b>  |                                  |                      |
| Current liabilities:  |                                  |                      |
| Accounts payable  | \$ 1,540                         | \$ 707               |
| Current portion of long-term debt   | 1,629                            | 1,604                |
| Accrued clinical development costs  | 1,401                            | 2,191                |
| Other accrued liabilities   | 1,423                            | 1,123                |
| Total current liabilities   | 5,993                            | 5,625                |
| Long-term debt, net of discount and issuance costs  | 2,283                            | 2,688                |
| Total liabilities   | 8,276                            | 8,313                |
| <b>Stockholders equity:</b>   |                                  |                      |
| Preferred stock, \$0.001 par value; 5,000,000 shares authorized as of March 31, 2016 and December 31, 2015; no shares issued or outstanding at March 31, 2016 and December 31, 2015   |                                  |                      |
| Common stock, \$0.001 par value; 120,000,000 shares authorized as of March 31, 2016 and December 31, 2015; 22,540,466 shares issued and 22,539,855 outstanding at March 31, 2016 and 22,518,907 shares issued and 22,516,508 outstanding at December 31, 2015 | 23                               | 23                   |
| Additional paid-in capital  | 446,529                          | 441,940              |
| Accumulated other comprehensive income (loss)   | 15                               | (482)                |
| Accumulated deficit   | (168,807)                        | (154,222)            |
| Total stockholders equity   | 277,760                          | 287,259              |
| Total liabilities and stockholders equity   | \$ 286,036                       | \$ 295,572           |

*See accompanying notes to the condensed financial statements.*



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**Esperion Therapeutics, Inc.**

**Condensed Statements of Operations and Comprehensive Loss**

(in thousands, except share and per share data)

(unaudited)

|   | Three Months Ended<br>March 31, |                    |
|---|---------------------------------|--------------------|
|   | 2016                            | 2015               |
| <b>Operating expenses:</b>                              |                                 |                    |
| Research and development                                | \$ 9,791                        | \$ 7,390           |
| General and administrative                              | 5,031                           | 4,035              |
| Total operating expenses                                | 14,822                          | 11,425             |
| <b>Loss from operations</b>                             | <b>(14,822)</b>                 | <b>(11,425)</b>    |
| Interest expense  | (110)                           | (134)              |
| Other income, net                                       | 347                             | 93                 |
| <b>Net loss</b>   | <b>\$ (14,585)</b>              | <b>\$ (11,466)</b> |
| Net loss per common share (basic and diluted)           | \$ (0.65)                       | \$ (0.56)          |
| Weighted-average shares outstanding (basic and diluted) | 22,532,031                      | 20,589,293         |
| <b>Other comprehensive income:</b>                      |                                 |                    |
| Unrealized gain on investments                          | \$ 497                          | \$ 20              |
| <b>Total comprehensive loss</b>                         | <b>\$ (14,088)</b>              | <b>\$ (11,446)</b> |

*See accompanying notes to the condensed financial statements.*

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## Esperion Therapeutics, Inc.

## Condensed Statements of Cash Flows

(in thousands)

(unaudited)

|   | Three Months Ended March 31, |             |
|---|------------------------------|-------------|
|   | 2016                         | 2015        |
| <b>Operating activities</b>   |                              |             |
| Net loss  | \$ (14,585)                  | \$ (11,466) |
| Adjustments to reconcile net loss to net cash used in operating activities: |                              |             |
| Depreciation expense  | 64                           | 59          |
| Amortization of debt discount   | 6                            | 8           |
| Amortization of debt issuance costs   | 7                            | 8           |
| Amortization of premiums and discounts on investments                       | 254                          | 27          |
| Stock-based compensation expense  | 4,556                        | 2,072       |
| Changes in assets and liabilities:  |                              |             |
| Prepays and other assets  | (451)                        | (860)       |
| Accounts payable  | 833                          | 813         |
| Other accrued liabilities   | (487)                        | 76          |
| Net cash used in operating activities                                       | (9,803)                      | (9,263)     |
| <b>Investing activities</b>   |                              |             |
| Purchases of investments  | (70,252)                     | (70,354)    |
| Proceeds from sales/maturities of investments                               | 40,290                       | 12,813      |
| Purchase of property and equipment  |                              | (7)         |
| Net cash used in investing activities                                       | (29,962)                     | (57,548)    |
| <b>Financing activities</b>   |                              |             |
| Proceeds from issuance of common stock, net of issuance costs               |                              | 190,150     |
| Proceeds from exercise of common stock options                              | 27                           | 264         |
| Payments on long-term debt  | (391)                        |             |
| Net cash (used in) provided by financing activities                         | (364)                        | 190,414     |
| Net (decrease) increase in cash and cash equivalents                        | (40,129)                     | 123,603     |
| Cash and cash equivalents at beginning of period                            | 77,336                       | 85,038      |
| Cash and cash equivalents at end of period                                  | \$ 37,207                    | \$ 208,641  |
| <b>Supplemental disclosure of cash flow information:</b>                    |                              |             |
| Offering costs not yet paid   | \$                           | \$ 173      |

*See accompanying notes to the condensed financial statements.*



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**Esperion Therapeutics, Inc.**

**Notes to the Condensed Financial Statements**

**(unaudited)**

**1. The Company and Basis of Presentation**

The Company is a pharmaceutical company whose planned principal operations are focused on developing and commercializing first-in-class, oral, low-density lipoprotein cholesterol ( LDL-C ) lowering therapies for the treatment of patients with elevated LDL-C. Bempedoic acid, the Company's lead product candidate, is an inhibitor of ATP Citrate Lyase, a well-characterized enzyme on the cholesterol biosynthesis pathway. Bempedoic acid inhibits cholesterol synthesis in the liver, decreases intracellular cholesterol and up-regulates LDL-receptors, resulting in increased LDL-C clearance and reduced plasma levels of LDL-C. In January 2016, the Company announced initiation of a Phase 3 clinical program known as Cholesterol Lowering via Bempedoic Acid, an ACL-inhibiting Regimen ( CLEAR ) with the start of the long-term safety and tolerability study of bempedoic acid in patients with hyperlipidemia whose LDL-C is not adequately controlled with low- and moderate-dose statins, and also initiated a Phase 2 pharmacokinetics/pharmacodynamics ( PK/PD ) clinical study of bempedoic acid in patients treated with atorvastatin 80 mg. In February 2016, the Company initiated a Phase 1 clinical pharmacology study to assess the safety and tolerability of bempedoic acid, as well as the effects of bempedoic acid on the PK of single doses of four high-dose statins. The Company owns the exclusive worldwide rights to bempedoic acid.

The Company's primary activities since incorporation have been conducting research and development activities, including nonclinical, preclinical and clinical testing, performing business and financial planning, recruiting personnel, and raising capital. Accordingly, the Company has not commenced principal operations and is subject to risks and uncertainties which include the need to research, develop, and clinically test potential therapeutic products; obtain regulatory approvals for its products and commercialize them, if approved; expand its management and scientific staff; and finance its operations with an ultimate goal of achieving profitable operations.

The Company has sustained operating losses since inception and expects such losses to continue over the foreseeable future. Management plans to continue to fund operations through public or private equity or debt financings or through other sources, which may include collaborations with third parties. If adequate funds are not available, the Company may not be able to continue the development of its current or future product candidates, or to commercialize its current or future product candidates, if approved.

**Basis of Presentation**

The accompanying condensed financial statements are unaudited and were prepared by the Company in accordance with generally accepted accounting principles in the United States of America ( GAAP ). In the opinion of management, the Company has made all adjustments, which include only normal recurring adjustments necessary for a fair statement of the Company's financial position and results of operations for the interim periods presented. Certain information and disclosures normally included in the annual financial statements prepared in accordance with GAAP have been condensed or omitted. These condensed interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2015, and the notes thereto, which are included in the Company's Annual Report on

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Form 10-K for the year ended December 31, 2015. The results of operations for the interim periods are not necessarily indicative of the results to be expected for a full year, any other interim periods or any future year or period.

### 2. Summary of Significant Accounting Policies

In February 2016, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2016-02 which is intended to improve financial reporting about leasing transactions. The updated guidance will require a lessee to recognize assets and liabilities for leases with lease terms of more than twelve months. Consistent with current GAAP, the recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a capital or operating lease. Unlike current GAAP which requires only capital leases to be recognized on the balance sheet the updated guidance will require both types of leases to be recognized on the balance sheet. The standard is effective for public companies for fiscal years beginning after December 15, 2018, and interim periods within those years. Early adoption is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. The Company does not believe the adoption of this standard will have a material impact on its financial position, results of operations or related financial statement disclosures.

In March 2016, the FASB issued ASU 2016-09 which includes provisions intended to simplify the various aspects related to how share-based payments are accounted for and presented in the financial statements. The updated guidance will require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. Additionally, under the updated

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guidance companies will have to elect whether to account for forfeitures of share-based payments by (1) recognizing forfeitures as they occur or (2) estimating the number of awards expected to be forfeited and adjusting the estimate when it is likely to change, as is currently required. The standard is effective for public business entities for fiscal years beginning after December 15, 2016, and interim periods within those years. Early adoption is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. The Company does not believe the adoption of this standard will have a material impact on its financial position, results of operations or related financial statement disclosures.

There have been no other material changes to the significant accounting policies previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

**3. Debt**

In June 2014, the Company entered into a loan and security agreement (the "Credit Facility") with Oxford Finance LLC which provided for initial borrowings of \$5.0 million under the term loan (the "Term A Loan") and additional borrowings of \$15.0 million (the "Term B Loan") at the Company's option, for a maximum of \$20.0 million. On June 30, 2014, the Company received proceeds of \$5.0 million from the issuance of secured promissory notes under the Term A Loan. Upon achieving positive clinical development results in March 2015, the remaining \$15.0 million under the Term B Loan became available to be drawn down, at the Company's sole discretion, until March 31, 2015. The Company did not elect to draw down the Term B Loan as of March 31, 2015. The secured promissory notes issued under the Credit Facility are due on July 1, 2018, and are collateralized by substantially all of the Company's personal property, other than its intellectual property.

The Company is obligated to make monthly, interest-only payments on the Term A Loan until July 1, 2015, and, thereafter, to pay 36 consecutive, equal monthly installments of principal and interest from August 1, 2015, through July 1, 2018. The Term A Loan bears interest at an annual rate of 6.40%. In addition, a final payment equal to 8.0% of the Term A Loan is due upon the earlier of the maturity date or prepayment of the term loan. The Company is recognizing the final payment as interest expense using the effective interest method over the life of the Credit Facility.

There are no financial covenants associated to the Credit Facility. However, so long as the Credit Facility is outstanding, there are negative covenants that limit or restrict the Company's activities, which include limitations on incurring indebtedness, granting liens, mergers or acquisitions, dispositions of assets, making certain investments, entering into certain transactions with affiliates, paying dividends or distributions, encumbering or pledging interest in its intellectual property and certain other business transactions. Additionally, the Credit Facility includes events of default, the occurrence and continuation of any of which provides the lenders the right to exercise remedies against the Company and the collateral securing the loans under the Credit Facility, which includes cash. These events of default include, among other things, non-payment of any amounts due under the Credit Facility, insolvency, the occurrence of a material adverse event, inaccuracy of representations and warranties, cross default to material indebtedness and a material judgment against the Company. Upon the occurrence of an event of default, all obligations under the Credit Facility shall accrue interest at a rate equal to the fixed annual rate plus five percentage points.

In connection with the borrowing of the Term A Loan, the Company issued a warrant to purchase 8,230 shares of common stock at an exercise price of \$15.19 (see Note 4). The warrant resulted in a debt discount of \$0.1 million which is amortized into interest expense using the effective interest method over the life of the Term A Loan. In addition, the Company incurred debt issuance costs of \$0.1 million in connection with the borrowing of the Term A Loan. The debt issuance costs were capitalized and included in long-term debt on the condensed balance sheet at the inception of the Term A Loan, and are amortized to interest expense using the effective interest method over the same term. As of March 31, 2016, the remaining unamortized discount and debt issuance costs associated with the debt were less than \$0.1 million and less than

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\$0.1 million, respectively.

Estimated future principal payments due under the Credit Facility are as follows:

| <b>Years Ending December 31,</b> | <b>(in thousands)</b> |       |
|----------------------------------|-----------------------|-------|
| 2016                             | \$                    | 1,212 |
| 2017                             |                       | 1,709 |
| 2018                             |                       | 1,049 |
| Total                            | \$                    | 3,970 |

During the three months ended March 31, 2016 and 2015, the Company recognized \$0.1 million and \$0.1 million of interest expense, and made cash interest payments of \$0.1 million and \$0.1 million, respectively, related to the Credit Facility.

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**4. Warrants**

In connection with the Credit Facility entered into in June 2014, the Company issued a warrant to purchase 8,230 shares of common stock at an exercise price of \$15.19. The warrant will terminate on the earlier of June 30, 2019, and the closing of a merger or consolidation transaction in which the Company is not the surviving entity. The warrant was recorded at fair value of \$0.1 million to additional paid-in capital in accordance with Accounting Standards Codification 815-10 based upon the allocation of the debt proceeds. The Company estimated the fair value of the warrant using a Black-Scholes option-pricing model, which is based, in part, upon subjective assumptions including but not limited to stock price volatility, the expected life of the warrant, the risk-free interest rate and the fair value of the common stock underlying the warrant. The Company estimates the volatility of its stock based on public company peer group historical volatility that is in line with the expected remaining life of the warrant. The risk-free interest rate is based on the U.S. Treasury zero-coupon bond for a maturity similar to the expected remaining life of the warrant. The expected remaining life of the warrant is assumed to be equivalent to its remaining contractual term.

Upon the closing of the Company's initial public offering in July 2013, all warrants exercisable for 1,940,000 shares of Series A preferred stock, at an exercise price of \$1.00 per share (unadjusted for stock splits), were automatically converted into warrants exercisable for 277,690 shares of common stock, at an exercise price of \$6.99 per share. As a result, the Company concluded the warrants outstanding no longer met the criteria to be classified as liabilities and were reclassified to additional paid-in capital at fair value on the date of reclassification. During the three months ended March 31, 2015, 29,330 warrants were net exercised for 25,445 shares of the Company's common stock. The remaining 248,360 warrants outstanding as of March 31, 2016, expire in February 2018.

As of March 31, 2016, the Company had warrants outstanding that were exercisable for a total of 256,590 shares of common stock at a weighted-average exercise price of \$7.25 per share.

**5. Commitments and Contingencies**

On January 12, 2016, a purported stockholder of the Company filed a putative class action lawsuit in the United States District Court for the Eastern District of Michigan, against the Company and Tim Mayleben, captioned *Kevin L. Dougherty v. Esperion Therapeutics, Inc., et al.* (No. 16-cv-10089). The lawsuit alleges that the Company and Mr. Mayleben violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 10b-5 by allegedly failing to disclose in an August 17, 2015, public statement that the FDA would require a cardiovascular outcomes trial before approving the Company's lead product candidate. The lawsuit seeks, among other things, compensatory damages in connection with an allegedly inflated stock price between August 18, 2015, and September 28, 2015, as well as attorneys' fees and costs. In light of, among other things, the early stage of the litigation, the Company is unable to predict the outcome of this matter and is unable to make a meaningful estimate of the amount or range of loss, if any, that could result from an unfavorable outcome.

There have been no other material changes to the Company's contractual obligations and commitments and contingencies outside the ordinary course of business from those previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

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The following table summarizes the Company's cash equivalents and investments:

|                                   | Amortized<br>Cost | March 31, 2016               |                               | Estimated<br>Fair<br>Value |
|-----------------------------------|-------------------|------------------------------|-------------------------------|----------------------------|
|                                   |                   | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses |                            |
| (in thousands)                    |                   |                              |                               |                            |
| <b>Cash equivalents:</b>          |                   |                              |                               |                            |
| Money market funds                | \$ 19,041         | \$                           | \$                            | \$ 19,041                  |
| <b>Short-term investments:</b>    |                   |                              |                               |                            |
| Certificates of deposit           | 22,366            | 3                            | (5)                           | 22,364                     |
| U.S. treasury notes               | 21,524            | 2                            | (5)                           | 21,521                     |
| U.S. government agency securities | 113,369           | 28                           | (19)                          | 113,378                    |
| <b>Long-term investments:</b>     |                   |                              |                               |                            |
| Certificates of deposit           | 13,001            | 9                            | (7)                           | 13,003                     |
| U.S. treasury notes               | 26,563            | 15                           | (13)                          | 26,565                     |
| U.S. government agency securities | 48,608            | 21                           | (14)                          | 48,615                     |
| <b>Total</b>                      | <b>\$ 264,472</b> | <b>\$ 78</b>                 | <b>\$ (63)</b>                | <b>\$ 264,487</b>          |

|                                   | Amortized<br>Cost | December 31, 2015            |                               | Estimated<br>Fair<br>Value |
|-----------------------------------|-------------------|------------------------------|-------------------------------|----------------------------|
|                                   |                   | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses |                            |
| (in thousands)                    |                   |                              |                               |                            |
| <b>Cash equivalents:</b>          |                   |                              |                               |                            |
| Money market funds                | \$ 31,761         | \$                           | \$                            | \$ 31,761                  |
| <b>Short-term investments:</b>    |                   |                              |                               |                            |
| Certificates of deposit           | 19,774            |                              | (28)                          | 19,746                     |
| U.S. treasury notes               | 12,620            |                              | (14)                          | 12,606                     |
| U.S. government agency securities | 102,683           |                              | (110)                         | 102,573                    |
| <b>Long-term investments:</b>     |                   |                              |                               |                            |
| Certificates of deposit           | 12,299            |                              | (42)                          | 12,257                     |
| U.S. treasury notes               | 22,553            |                              | (105)                         | 22,448                     |
| U.S. government agency securities | 45,793            |                              | (183)                         | 45,610                     |
| <b>Total</b>                      | <b>\$ 247,483</b> | <b>\$</b>                    | <b>\$ (482)</b>               | <b>\$ 247,001</b>          |

At March 31, 2016, and December 31, 2015, remaining contractual maturities of available-for-sale investments classified as current on the balance sheet were less than 12 months and remaining contractual maturities of available-for-sale investments classified as long-term were less than two years.

During the three months ended March 31, 2016 and 2015, other income, net in the statements of operations includes interest income on available-for-sale investments of \$0.6 million and \$0.1 million, respectively, and expense for the amortization of premiums and discounts on

investments of \$0.3 million and less than \$0.1 million, respectively.

There were no unrealized gains or losses on investments reclassified from accumulated other comprehensive income (loss) to other income in the Statements of Operations during the three months ended March 31, 2016 and 2015.

#### **7. Fair Value Measurements**

The Company follows accounting guidance that emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are defined on a three level hierarchy:

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- Level 1 inputs: Quoted prices for identical assets or liabilities in active markets;
- Level 2 inputs: Observable inputs other than Level 1 prices, such as quoted market prices for similar assets or liabilities or other inputs that are observable or can be corroborated by market data; and
- Level 3 inputs: Unobservable inputs that are supported by little or no market activity and require the reporting entity to develop assumptions that market participants would use when pricing the asset or liability.

The following table presents the Company's financial assets and liabilities that have been measured at fair value on a recurring basis:

| Description                       | Total      | Level 1        | Level 2    | Level 3 |
|-----------------------------------|------------|----------------|------------|---------|
|                                   |            | (in thousands) |            |         |
| <b>March 31, 2016</b>             |            |                |            |         |
| Assets:                           |            |                |            |         |
| Money market funds                | \$ 19,041  | \$ 19,041      | \$         | \$      |
| Available-for-sale securities:    |            |                |            |         |
| Certificates of deposit           | 35,367     | 35,367         |            |         |
| U.S. treasury notes               | 48,086     | 48,086         |            |         |
| U.S. government agency securities | 161,993    |                | 161,993    |         |
| Total assets at fair value        | \$ 264,487 | \$ 102,494     | \$ 161,993 | \$      |
| <b>December 31, 2015</b>          |            |                |            |         |
| Assets:                           |            |                |            |         |
| Money market funds                | \$ 31,761  | \$ 31,761      | \$         | \$      |
| Available-for-sale securities:    |            |                |            |         |
| Certificates of deposit           | 32,003     | 32,003         |            |         |
| U.S. treasury notes               | 35,054     | 35,054         |            |         |
| U.S. government agency securities | 148,183    |                | 148,183    |         |
| Total assets at fair value        | \$ 247,001 | \$ 98,818      | \$ 148,183 | \$      |

There were no transfers between Levels 1, 2 or 3 during the three months ended March 31, 2016.

### **8. Stock Compensation**

#### **2013 Stock Option and Incentive Plan**

In May 2015, the Company's stockholders approved the amended and restated 2013 Stock Option and Incentive Plan (as amended, the 2013 Plan). The number of shares of common stock available for awards under the 2013 Plan was set to 2,975,000 shares, plus (i) shares of common stock that are forfeited, cancelled, held back upon the exercise or settlement of an award to cover the exercise price or tax withholding, reacquired by the Company prior to vesting, satisfied without the issuance of common stock or otherwise terminated (other than by exercise) under the 2013 Plan and the Company's 2008 Incentive Stock Option and Restricted Stock Plan are added back to the shares of common stock available for issuance under the 2013 Plan, and (ii) on January 1, 2016, and each January 1, thereafter, the number of shares of common stock reserved and available for issuance under the 2013 Plan will be cumulatively increased by 2.5% of the number of shares of common stock outstanding on the immediately preceding December 31, or such lesser number of shares of common stock determined by the compensation committee.



The 2013 Plan provides for the granting of stock options, stock appreciation rights, restricted stock awards, restricted stock units, unrestricted stock awards, cash-based awards, performance share awards and dividend equivalent rights. The Company incurs stock-based compensation expense related to stock options and restricted stock units ( RSUs ). The fair value of RSUs is determined by the closing market price of the Company s common stock on the date of grant. The fair value of stock options is calculated using a Black-Scholes option pricing model. The Company accounts for stock-based compensation in accordance with the provisions of ASC 718, Compensation Stock Compensation. Accordingly, compensation costs related to equity instruments granted are recognized over the requisite service periods of the awards on a straight-line basis at the grant-date fair value, taking into account estimated forfeitures.

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The following table summarizes the activity relating to the Company's options to purchase common stock for the three months ended March 31, 2016:

|                                  | Number of<br>Options | Weighted-Average<br>Exercise<br>Price<br>Per Share | Weighted-Average<br>Remaining<br>Contractual<br>Term (Years) | Aggregate<br>Intrinsic<br>Value<br>(in thousands) |
|----------------------------------|----------------------|--|--|---|
| Outstanding at December 31, 2015 | 2,662,862            | \$ 32.42   | 8.36   | \$ 16,433   |
| Granted                          | 309,250              | \$ 20.01   |  |   |
| Forfeited or expired             | (13,063)             | \$ 52.91   |  |   |
| Exercised                        | (21,559)             | \$ 1.28  |  |   |
| Outstanding at March 31, 2016    | 2,937,490            | \$ 31.25   | 8.31   | \$ 8,165  |

The following table summarizes information about the Company's stock option plan as of March 31, 2016:

|   | Number of<br>Options | Weighted-Average<br>Exercise<br>Price<br>Per Share | Weighted-Average<br>Remaining<br>Contractual<br>Term (Years) | Aggregate<br>Intrinsic<br>Value<br>(in thousands) |
|---|----------------------|--|--|---|
| Vested and expected to vest at March 31, 2016 | 2,874,403            | \$ 31.05   | 8.29   | \$ 8,130  |
| Exercisable at March 31, 2016                 | 1,184,853            | \$ 15.95   | 7.00   | \$ 6,258  |

As of March 31, 2016 there was approximately \$37.6 million of unrecognized stock-based compensation expense related to unvested options, adjusted for forfeitures, which will be recognized over a weighted-average period of approximately 2.9 years.

During the three months ended March 31, 2016, the Company granted 3,000 RSUs to employees with a fair value for each outstanding RSU of \$15.97. As of March 31, 2016, there were 28,000 RSUs outstanding and unvested. During the three months ended March 31, 2016, stock-based compensation expense related to RSUs was \$0.1 million. As of March 31, 2016, there was approximately \$1.2 million of unrecognized stock-based compensation expense related to unvested RSUs, adjusted for forfeitures, which will be recognized over a weighted-average period of approximately 3.3 years.

### **9. Income Taxes**

There was no provision for income taxes for the three months ended March 31, 2016 and 2015, because the Company has incurred operating losses since inception. At March 31, 2016, the Company concluded that it is not more likely than not that the Company will realize the benefit of its deferred tax assets due to its history of losses. Accordingly, a full valuation allowance has been applied against the net deferred tax assets.

### **10. Net Loss Per Common Share**

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Basic net loss per share is calculated by dividing net loss by the weighted-average number of common shares outstanding during the period, without consideration for common stock equivalents. Diluted net loss per share is computed by dividing net loss by the weighted-average number of common stock equivalents outstanding for the period determined using the treasury-stock method. For purposes of this calculation, warrants for common stock, stock options and unvested restricted stock are considered to be common stock equivalents and are only included in the calculation of diluted net loss per share when their effect is dilutive.

The shares outstanding at the end of the respective periods presented below were excluded from the calculation of diluted net loss per share due to their anti-dilutive effect:

|                                 | <b>March 31,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|---------------------------------|---------------------------|------------------------------|
| Warrants for common stock       | 256,590                   | 256,590                      |
| Common shares under option      | 2,937,490                 | 2,662,862                    |
| Unvested restricted stock       | 28,611                    | 27,399                       |
| Total potential dilutive shares | 3,222,691                 | 2,946,851                    |

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our annual report on Form 10-K for the fiscal year ended December 31, 2015.*

**Forward-Looking Statements**

*This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These forward-looking statements are based on our management's belief and assumptions and on information currently available to management. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements relate to future events, including our clinical development plans, or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, including in relation to the clinical development of bempedoic acid to be materially different from any future results, performance or achievements, including in relation to the clinical development of bempedoic acid, expressed or implied by these forward-looking statements.*

*Forward-looking statements are often identified by the use of words such as, but not limited to, may, will, should, expects, intends, plans, anticipates, believes, estimates, predicts, potential, continue or the negative of these terms or other similar terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and that could materially affect results. Factors that may cause actual results to differ materially from current expectations include, among other things, those referred to or discussed in or incorporated by reference into the section titled Risk Factors included in Item 1A of Part II of this Quarterly Report on Form 10-Q. If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future performance.*

*The forward-looking statements in this report represent our views as of the date of this quarterly report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.*

**Overview**

*Corporate Overview*

We are a pharmaceutical company focused on developing and commercializing first-in-class, oral, low-density lipoprotein cholesterol, or LDL-C, lowering therapies for the treatment of patients with elevated LDL-C. Bempedoic acid, our lead product candidate, is an inhibitor of ATP Citrate Lyase, a well-characterized enzyme on the cholesterol biosynthesis pathway. Bempedoic acid inhibits cholesterol synthesis in the liver, decreases intracellular cholesterol and up-regulates LDL-receptors, resulting in increased LDL-C clearance and reduced plasma levels of LDL-C. In January 2016, we announced initiation of our Phase 3 clinical program known as Cholesterol Lowering via Bempedoic Acid, an ACL-inhibiting Regimen (CLEAR) with the start of the long-term safety and tolerability study of bempedoic acid in patients with hyperlipidemia whose LDL-C is not adequately controlled with low- and moderate-dose statins, and also initiated a Phase 2 pharmacokinetics/pharmacodynamics, or PK/PD, clinical study of bempedoic acid in patients treated with atorvastatin 80 mg. In February 2016, we initiated a Phase 1 clinical pharmacology study to assess the safety and tolerability of bempedoic acid, as well as the effects of bempedoic acid on the PK of single doses of four high-dose statins. We own the exclusive worldwide rights to bempedoic acid.

We were incorporated in Delaware in January 2008, and commenced our operations in April 2008. Since our inception, we have focused substantially all of our efforts and financial resources on developing bempedoic acid. We have funded our operations to date primarily through proceeds from sales of preferred stock, convertible promissory notes and warrants, public offerings of common stock and the incurrence of indebtedness, and we have incurred losses in each year since our inception.

We have not commenced principal operations and do not have any products approved for sale. To date, we have not generated any revenue. We have never been profitable and our net losses were \$14.6 million and \$11.5 million for the three months ended March 31, 2016 and 2015, respectively. Substantially all of our net losses resulted from costs incurred in connection with research and development programs, general and administrative costs associated with our operations. We expect to incur significant expenses and increasing operating losses for the foreseeable future. We expect our expenses to increase in connection with our ongoing activities, including, among others:

- completing the clinical development of bempedoic acid;
- undertaking development activities on a fixed-dose combination of bempedoic acid and ezetimibe;

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- initiating a cardiovascular outcomes trial, or CVOT, for bempedoic acid;
- seeking regulatory approval for bempedoic acid;
- commercializing bempedoic acid; and
- operating as a public company.

Accordingly, we will need additional financing to support our continuing operations. We will seek to fund our operations through public or private equity or debt financings or through other sources, which may include collaborations with third parties. Adequate additional financing may not be available to us on acceptable terms, or at all. Our failure to raise capital as and when needed would have a material adverse effect on our financial condition and our ability to pursue our business strategy or continue operations. We will need to generate significant revenues to achieve profitability and we may never do so.

*Product Overview*

Bempedoic acid, our lead product candidate, is an inhibitor of ACL, a well-characterized enzyme on the cholesterol biosynthesis pathway. Bempedoic acid inhibits cholesterol synthesis in the liver, decreases intracellular cholesterol and up-regulates LDL-receptors, resulting in increased LDL-C clearance and reduced plasma levels of LDL-C. Bempedoic acid is being developed for patients with elevated LDL-C. We acquired the rights to bempedoic acid from Pfizer in 2008. We own the exclusive worldwide rights to bempedoic acid and we are not obligated to make any royalty or milestone payments to Pfizer.

During the three months ended March 31, 2016, we incurred \$3.1 million in expenses related to our Phase 3 long-term safety and tolerability study of bempedoic acid in patients with hyperlipidemia whose LDL-C is not adequately controlled with low- and moderate-dose statins (1002-040), our Phase 2 PK/PD clinical study of bempedoic acid in patients treated with atorvastatin 80 mg (1002-035) and our Phase 1 clinical pharmacology study to assess the safety and tolerability of bempedoic acid, as well as the effects of bempedoic acid on the PK of single doses of four high-dose statins (1002-037).

During the three months ended March 31, 2015, we incurred \$4.3 million in expenses related to our Phase 2b clinical study in patients with elevated LDL-C already receiving statin therapy (1002-009) and our Phase 2 exploratory clinical safety study in patients with both elevated LDL-C and hypertension (1002-014).

*Program Developments*

**Ongoing Clinical Studies**

*1002-035 Phase 2 pharmacokinetics/pharmacodynamics clinical study in patients treated with high-dose statin therapy*

1002-035 is a Phase 2 randomized, double-blind, parallel group study evaluating 180 mg of bempedoic acid in 60 patients on stable atorvastatin 80 mg per day. All patients in the study receive 80 mg of atorvastatin for four weeks. Patients are then randomized to receive either 180 mg of bempedoic acid, or placebo, for four weeks. The study enrolled patients at approximately 20 centers across the U.S. The primary objectives of the study are to assess the LDL-C lowering efficacy of bempedoic acid versus placebo on a background of atorvastatin 80 mg, as well as multiple-dose plasma PK of atorvastatin 80 mg alone and in combination with bempedoic acid. Secondary objectives include assessing the effect of bempedoic acid on lipid and cardiometabolic biomarkers, including hsCRP; characterizing the tolerability and safety of bempedoic acid; and evaluating the steady-state plasma PK of bempedoic acid. We initiated 1002-035 in January 2016, and expect to report top-line results in the third quarter of 2016.

*1002-037 Phase 1 clinical pharmacology study to assess the safety and tolerability of bempedoic acid added-on to maximally tolerated statin therapy*

1002-037 is a Phase 1, open-label, single-sequence study to assess the effect of steady-state bempedoic acid on the single-dose PK of atorvastatin 80 mg, simvastatin 40 mg, pravastatin 80 mg and rosuvastatin 40 mg in 48 healthy subjects. The study enrolled patients at one center in the U.S. The primary objective of this study is to assess the single-dose PK of the four high-dose statins alone or in combination with bempedoic acid 180 mg. Secondary objectives include characterizing the safety and tolerability of bempedoic acid alone and when used with high-dose statins. We initiated 1002-037 in February 2016, and expect to report top-line results in the third quarter of 2016.

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*1002-040 Phase 3 global long-term safety and tolerability study in patients with hyperlipidemia whose LDL-C is not adequately controlled with low- and moderate-dose statins*

1002-040 is a global Phase 3 randomized, multicenter, double-blind, placebo-controlled study evaluating 180 mg of bempedoic acid versus placebo in 900 patients with hyperlipidemia at high cardiovascular disease risk and whose LDL-C is not adequately controlled with maximally tolerated lipid-modifying therapy. The study will enroll patients at approximately 125 sites in the U.S., Canada and the European Union. The primary objective is to assess safety and tolerability of patients treated with bempedoic acid for 52 weeks. Secondary objectives include assessing the effects of bempedoic acid on lipid and cardiometabolic risk markers, including LDL-C and hsCRP. We initiated 1002-040 in January 2016, and expect to report top-line results in the fourth quarter of 2017.

**Additional Studies**

*Phase 3 Clinical Studies and CVOT*

The 1002-040 study marks the launch of our Phase 3 CLEAR clinical program, which will be focused primarily on the development of bempedoic acid for statin intolerant patients. We expect to provide details of the global clinical and regulatory development plan for our Phase 3 CLEAR program in the second quarter of 2016. Separately, we expect to provide details of the CVOT for bempedoic acid in statin intolerant patients in the third quarter of 2016. We plan to initiate our Phase 3 CLEAR clinical efficacy studies and CVOT for bempedoic acid in statin intolerant patients in the fourth quarter of 2016.

**Financial Operations Overview**

*Revenue*

To date, we have not generated any revenue. In the future, we may never generate revenue from the sale of bempedoic acid or other product candidates. If we fail to complete the development of bempedoic acid or any other product candidates and secure approval from regulatory authorities, our ability to generate future revenue and our results of operations and financial position will be adversely affected.

*Research and Development Expenses*

Since our inception, we have focused our resources on our research and development activities, including conducting nonclinical, preclinical and clinical studies. Our research and development expenses consist primarily of costs incurred in connection with the development of bempedoic acid, which include:



- expenses incurred under agreements with consultants, contract research organizations, or CROs, and investigative sites that conduct our preclinical and clinical studies;
- the cost of acquiring, developing and manufacturing clinical study materials;
- employee-related expenses, including salaries, benefits, stock-based compensation and travel expenses;
- allocated expenses for rent and maintenance of facilities, insurance and other supplies; and
- costs related to compliance with regulatory requirements.

We expense research and development costs as incurred. To date, substantially all of our research and development work has been related to bempedoic acid. Costs for certain development activities, such as clinical studies, are recognized based on an evaluation of the progress to completion of specific tasks using data such as patient enrollment, clinical site activations or information provided to us by our vendors. Our direct research and development expenses consist principally of external costs, such as fees paid to investigators, consultants, central laboratories and CROs in connection with our clinical studies. We do not allocate acquiring and manufacturing clinical study materials, salaries, stock-based compensation, employee benefits or other indirect costs related to our research and development function to specific programs.

Our research and development expenses are expected to increase in the foreseeable future. Costs associated with bempedoic acid will increase as we further its clinical development, including in connection with the commencement of our Phase 3 CLEAR clinical program and our planned CVOT. We cannot determine with certainty the duration and completion costs associated with the ongoing or future clinical studies of bempedoic acid. Also, we cannot conclude with certainty if, or when, we will generate revenue from the commercialization and sale of bempedoic acid, if ever. We may never succeed in obtaining regulatory approval for bempedoic acid. The duration, costs and timing associated with the development and commercialization of bempedoic acid will depend on a variety of factors, including uncertainties associated with the results of our clinical studies and our ability to obtain regulatory approval. For example, if the FDA or another regulatory authority were to require us to conduct clinical studies beyond those that we currently anticipate will be required for the completion of clinical development or post-commercialization clinical

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studies of bempedoic acid, or if we experience significant delays in enrollment in any of our clinical studies, we could be required to expend significant additional financial resources and time on the completion of clinical development or post-commercialization clinical studies of bempedoic acid.

***General and Administrative Expenses***

General and administrative expenses primarily consist of salaries and related costs for personnel, including stock-based compensation and travel expenses, associated with our executive, accounting and finance, operational and other administrative functions. Other general and administrative expenses include facility related costs, communication expenses and professional fees for legal, patent prosecution, protection and review, consulting and accounting services.

We anticipate that our general and administrative expenses will increase in the future in connection with the continued research and development and commercialization of bempedoic acid, increases in our headcount, expansion of our information technology infrastructure, and increased expenses associated with being a public company and complying with exchange listing and Securities and Exchange Commission, or SEC, requirements, including the additional complexities and related costs of our transition from an emerging growth company to a large accelerated filer under the rules of the SEC. These increases will likely include higher legal, compliance, accounting and investor and public relations expenses.

***Interest Expense***

Interest expense consists primarily of cash interest costs associated with our credit facility and non-cash interest costs associated with the amortization of the related debt discount, deferred issuance costs and final payment fee.

**Critical Accounting Policies and Significant Judgments and Estimates**

Our discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities in our financial statements. We evaluate our estimates and judgments on an ongoing basis, including those related to accrued expenses and stock-based compensation. We base our estimates on historical experience, known trends and events, contractual milestones and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions.

In February 2016, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2016-02 which is intended to improve financial reporting about leasing transactions. The updated guidance will require a lessee to recognize assets and liabilities for leases with lease terms of more than twelve months. Consistent with current GAAP, the recognition, measurement and presentation of

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expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a capital or operating lease. Unlike current GAAP which requires only capital leases to be recognized on the balance sheet the updated guidance will require both types of leases to be recognized on the balance sheet. The standard is effective for public companies for fiscal years beginning after December 15, 2018, and interim periods within those years. Early adoption is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. We do not believe the adoption of this standard will have a material impact on our financial position, results of operations or related financial statement disclosures.

In March 2016, the FASB issued ASU 2016-09 which includes provisions intended to simplify the various aspects related to how share-based payments are accounted for and presented in the financial statements. The updated guidance will require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. Additionally, under the updated guidance companies will have to elect whether to account for forfeitures of share-based payments by (1) recognizing forfeitures as they occur or (2) estimating the number of awards expected to be forfeited and adjusting the estimate when it is likely to change, as is currently required. The standard is effective for public business entities for fiscal years beginning after December 15, 2016, and interim periods within those years. Early adoption is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. We do not believe the adoption of this standard will have a material impact on our financial position, results of operations or related financial statement disclosures.

There have been no other material changes to the significant accounting policies previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Table of Contents**Results of Operations***Comparison of the Three Months Ended March 31, 2016 and 2015*

The following table summarizes our results of operations for the three months ended March 31, 2016 and 2015:

|                             | <b>Three Months Ended March 31,</b> |                    |                   |
|-----------------------------|-------------------------------------|--------------------|-------------------|
|                             | <b>2016</b>                         | <b>2015</b>        | <b>Change</b>     |
|                             | <i>(unaudited, in thousands)</i>    |                    |                   |
| <b>Operating Expenses:</b>  |                                     |                    |                   |
| Research and development    | \$ 9,791                            | \$ 7,390           | \$ 2,401          |
| General and administrative  | 5,031                               | 4,035              | 996               |
| <b>Loss from operations</b> | <b>(14,822)</b>                     | <b>(11,425)</b>    | <b>(3,397)</b>    |
| Interest expense            | (110)                               | (134)              | 24                |
| Other income, net           | 347                                 | 93                 | 254               |
| <b>Net loss</b>             | <b>\$ (14,585)</b>                  | <b>\$ (11,466)</b> | <b>\$ (3,119)</b> |

*Research and development expenses*

Research and development expenses for the three months ended March 31, 2016, were \$9.8 million, compared to \$7.4 million for the three months ended March 31, 2015, an increase of approximately \$2.4 million. The increase in research and development expenses was primarily related to the further clinical development of bempedoic acid, which includes increases in our headcount and increased stock-based compensation expense.

*General and administrative expenses*

General and administrative expenses for the three months ended March 31, 2016, were \$5.0 million, compared to \$4.0 million for the three months ended March 31, 2015, an increase of approximately \$1.0 million. The increase in general and administrative expenses was primarily attributable to costs to support public company operations, increases in our headcount, which includes increased stock-based compensation expense, and other costs to support our growth.

*Interest expense*

We incurred interest expense of \$0.1 million and \$0.1 million for the three months ended March 31, 2016 and 2015, respectively. Interest expense was related to our credit facility.

*Other income, net*

Other income, net for the three months ended March 31, 2016, was \$0.3 million, compared to \$0.1 million for the three months ended March 31, 2015. This increase was primarily related to an increase in interest income earned on our cash, cash equivalents and investment securities.

**Liquidity and Capital Resources**

We have funded our operations to date primarily through proceeds from sales of preferred stock, convertible promissory notes and warrants, public offerings of common stock and the incurrence of indebtedness. In July 2013, we completed our initial public offering, or IPO, whereby we sold 5,750,000 shares of common stock at a price of \$14.00 per share for net proceeds of \$72.2 million. In June 2014, we entered into a loan and security agreement (the credit facility) with Oxford Finance LLC whereby we received net proceeds of \$4.9 million from the issuance of secured promissory notes under a term loan as part of the facility. In October 2014, we sold 4,887,500 shares of common stock at a price of \$20.00 per share for net proceeds of \$91.6 million. In March 2015, we sold 2,012,500 shares of common stock at a price of \$100.00 per share for net proceeds of \$190.0 million. To date, we have not generated any revenue and we anticipate that we will continue to incur losses for the foreseeable future.

As of March 31, 2016, our primary sources of liquidity were our cash and cash equivalents and available-for-sale investments, which totaled \$37.2 million and \$245.4 million, respectively. We invest our cash equivalents and investments in highly liquid, interest-bearing investment-grade and government securities to preserve principal.

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The following table summarizes the primary sources and uses of cash for the periods presented below:

|   | <b>Three Months Ended March 31,</b> |                   |
|---|-------------------------------------|-------------------|
|   | <b>2016</b>                         | <b>2015</b>       |
|   | <b>(in thousands)</b>               |                   |
| Cash used in operating activities                           | \$ (9,803)                          | \$ (9,263)        |
| Cash used in investing activities                           | (29,962)                            | (57,548)          |
| Cash (used in) provided by financing activities             | (364)                               | 190,414           |
| <b>Net (decrease) increase in cash and cash equivalents</b> | <b>\$ (40,129)</b>                  | <b>\$ 123,603</b> |

*Operating Activities*

We have incurred and expect to continue to incur, significant costs in the areas of research and development, regulatory and other clinical study costs, associated with the development of bempedoic acid and our operations.

Net cash used in operating activities totaled \$9.8 million and \$9.3 million for the three months ended March 31, 2016 and 2015, respectively. The primary use of our cash was to fund the development of bempedoic acid, adjusted for non-cash expenses such as stock-based compensation expense, depreciation and amortization and changes in working capital.

*Investing Activities*

Net cash used in investing activities of \$30.0 million for the three months ended March 31, 2016, consisted primarily of purchases of highly liquid, interest bearing investment-grade and government securities.

*Financing Activities*

Net cash used in financing activities of \$0.4 million for the three months ended March 31, 2016, related primarily to payments on our credit facility.

*Plan of Operations and Funding Requirements*

We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future as we progress through the clinical development program for bempedoic acid. We expect that our existing cash and cash equivalents and available-for-sale investments will enable us to fund our operating expenses and capital expenditure requirements through at least the end of 2018 and the potential approval of bempedoic

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acid, and that we will likely need to raise additional capital thereafter to continue to fund the further development and commercialization efforts for bempedoic acid and our operations. In January 2016, we initiated our Phase 3 long-term safety and tolerability study in patients with hyperlipidemia whose LDL-C is not adequately controlled with low- and moderate-dose statins and our Phase 2 PK/PD clinical study in patients treated with atorvastatin 80 mg. In February 2016, we initiated our Phase 1 clinical pharmacology study to assess the safety and tolerability of bempedoic acid, as well as the effects of bempedoic acid on the PK of single doses of four high-dose statins. We plan to initiate our Phase 3 CLEAR clinical efficacy studies and CVOT for bempedoic acid in statin intolerant patients in the fourth quarter of 2016. We have based these estimates on assumptions that may prove to be wrong, and we may use our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with the development and commercialization of bempedoic acid and the extent to which we may enter into collaborations with pharmaceutical partners regarding the development and commercialization of bempedoic acid, we are unable to estimate the amounts of increased capital outlays and operating expenses associated with completing the development and commercialization of bempedoic acid. Our future funding requirements will depend on many factors, including, but not limited to:

- our ability to successfully develop and commercialize bempedoic acid or other product candidates;
- the costs, timing and outcomes of our ongoing and planned clinical studies of bempedoic acid;
- the time and cost necessary to obtain regulatory approvals for bempedoic acid, if at all;
- our ability to establish a sales, marketing and distribution infrastructure to commercialize bempedoic acid in the United States and abroad or our ability to establish any future collaboration or commercialization arrangements on favorable terms, if at all;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims; and
- the implementation of operational and financial information technology.

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Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements. We do not have any committed external source of funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a common stockholder. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through collaborations, strategic alliances or licensing arrangements with pharmaceutical partners, we may have to relinquish valuable rights to our technologies, future revenue streams or bempedoic acid or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings or through collaborations, strategic alliances or licensing arrangements when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market bempedoic acid that we would otherwise prefer to develop and market ourselves.

**Contractual Obligations and Commitments**

In February 2014, we signed a lease for space for our principal executive offices in Ann Arbor, Michigan. The Ann Arbor lease has a term of 63 months and provides for fixed monthly rent of approximately \$7,900, with monthly rent increasing every 12 months, and also provides for certain rent adjustments to be paid as determined by the landlord. In August 2015, we signed a second lease to increase our office space in Ann Arbor, Michigan to support our growing company and clinical development operations. The second Ann Arbor lease has a term of 49 months and provides for fixed monthly rent of approximately \$7,100, with monthly rent increasing every 12 months.

In June 2014, we entered into a Credit Facility which provided for initial borrowings of \$5.0 million and additional borrowings of \$15.0 million until March 2015. We received proceeds of \$4.9 million, net of issuance costs, from the issuance of secured promissory notes under a term loan as part of the Credit Facility and we have not drawn upon any additional borrowings. Under the Credit Facility we are obligated to make monthly, interest-only payments on any term loans funded until July 1, 2015 and, thereafter, to pay 36 consecutive, equal monthly installments of principal and interest from August 1, 2015, through July 1, 2018. The term loan outstanding under the Credit Facility bears interest at an annual rate of 6.40%. In addition, a final payment equal to 8.0% of any amounts drawn under the Credit Facility is due upon the earlier of the maturity date or prepayment of the term loans.

There have been no material changes to our contractual obligations and commitments outside the ordinary course of business from those disclosed above.

**Off-Balance Sheet Arrangements**

We do not currently have, nor did we have during the periods presented, any off-balance sheet arrangements as defined by Securities and Exchange Commission rules.



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**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We had cash and cash equivalents and available-for-sale investments of approximately \$37.2 million and \$245.4 million at March 31, 2016, and \$77.3 million and \$215.2 million at December 31, 2015, respectively. The primary objectives of our investment activities are to preserve principal, provide liquidity and maximize income without significantly increasing risk. Our primary exposure to market risk relates to fluctuations in interest rates which are affected by changes in the general level of U.S. interest rates. Given the short-term nature of our cash and cash equivalents, we believe that a sudden change in market interest rates would not be expected to have a material impact on our financial condition and/or results of operation. We do not have any foreign currency or other derivative financial instruments.

We do not believe that our cash and cash equivalents and available-for-sale investments have significant risk of default or illiquidity. While we believe our cash and cash equivalents do not contain excessive risk, we cannot provide absolute assurance that in the future our investments will not be subject to adverse changes in market value. In addition, we maintain significant amounts of cash and cash equivalents at one or more financial institutions that are in excess of federally insured limits.

Inflation generally affects us by increasing our cost of labor and clinical study costs. We do not believe that inflation has had a material effect on our results of operations during the three months ended March 31, 2016.

**Item 4. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities and Exchange Act of 1934 is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our President and Chief Executive Officer, who is our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

As of March 31, 2016, our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934). Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our principal executive officer and principal financial officer has concluded based upon the evaluation described above that, as of March 31, 2016, our disclosure controls and procedures were effective at the reasonable assurance level.

*Changes in Internal Control over Financial Reporting*

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There were no changes to our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

On January 12, 2016, a purported stockholder of the Company filed a putative class action lawsuit in the United States District Court for the Eastern District of Michigan, against us and Tim Mayleben, captioned *Kevin L. Dougherty v. Esperion Therapeutics, Inc., et al.* (No. 16-cv-10089). The lawsuit alleges that we and Mr. Mayleben violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 10b-5 by allegedly failing to disclose in an August 17, 2015, public statement that the FDA would require a cardiovascular outcomes trial before approving our lead product candidate. The lawsuit seeks, among other things, compensatory damages in connection with an allegedly inflated stock price between August 18, 2015, and September 28, 2015, as well as attorneys' fees and costs. In light of, among other things, the early stage of the litigation, we are unable to predict the outcome of this matter and are unable to make a meaningful estimate of the amount or range of loss, if any, that could result from an unfavorable outcome.

In the future, we may become party to legal matters and claims arising in the ordinary course of business, the resolution of which we do not anticipate would have a material adverse impact on our financial position, results of operations or cash flows.

**Item 1A. Risk Factors**

You should carefully review and consider the information regarding certain factors that could materially affect our business, financial condition or future results set forth under Item 1A. (Risk Factors) in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. There have been no material changes from the factors disclosed in our 2015 Annual Report on Form 10-K, although we may disclose changes to such factors or disclose additional factors from time to time in our future filings with the Securities and Exchange Commission.

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

**Use of Proceeds from Initial Public Offering of Common Stock**

We sold 5,750,000 shares of common stock to the public at an initial public offering price of \$14.00 per share, terminating the offering on July 11, 2013. The offer and sale of the shares in the IPO was registered under the Securities Act pursuant to registration statements on Form S-1 (File No. 333-188595), which was filed with the SEC on May 14, 2013, and amended subsequently and declared effective on June 25, 2013, and Form S-1MEF (File No. 333-189590), which was filed with the SEC on June 25, 2013, and declared effective on June 25, 2013. Following the sale of the shares in connection with the closing of our IPO, the offering terminated. The offering did not terminate before all the securities registered in the registration statements were sold. Credit Suisse Securities (USA) LLC and Citigroup Global Markets Inc. acted as representatives of the underwriters in the offering.

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We raised approximately \$72.2 million in net proceeds after deducting underwriting discounts and commissions of approximately \$5.6 million and other offering expenses of approximately \$2.7 million. No offering expenses were paid directly or indirectly to any of our directors or officers (or their associates) or persons owning ten percent or more of any class of our equity securities or to any other affiliates.

As of March 31, 2016, we estimate that we have used all of the net proceeds from the offering, primarily to fund the Phase 2b clinical program of bempedoic acid. None of such payments were direct or indirect payments to any of our directors or officers (or their associates), to persons owning ten percent or more of our common stock or to any other affiliates. As described in our final prospectus filed with the SEC on June 26, 2013, pursuant to Rule 424(b) under the Securities Act, the net proceeds from our IPO funded the clinical development of bempedoic acid through our End-of-Phase 2 meeting with the FDA held in August 2015.

### **Item 6. Exhibits**

The exhibits filed or furnished as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index, which Exhibit Index is incorporated herein by reference.

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**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 thereunto duly authorized.

ESPERION THERAPEUTICS, INC.

May 4, 2016

By:

/s/ Tim M. Mayleben  
Tim M. Mayleben  
*President and Chief Executive Officer*  
*(Principal Executive Officer and Principal Financial Officer)*

Table of Contents**EXHIBIT INDEX**

| Exhibit No. | Description  | Form or Schedule | Incorporated by Reference to: |                      |                 |
|-------------|--|------------------|-------------------------------|----------------------|-----------------|
|             |  |                  | Exhibit No.                   | Filing Date with SEC | SEC File Number |
| 3.1         | Amended and Restated Certificate of Incorporation of the Registrant.   | S-1/A            | 3.1                           | 6/12/2013            | 333-188595      |
| 3.2         | Amended and Restated By-Laws of the Registrant.  | S-1/A            | 3.2                           | 6/12/2013            | 333-188595      |
| 4.1         | Specimen Common Stock Certificate of the Registrant.   | S-1/A            | 4.1                           | 6/12/2013            | 333-188595      |
| 31.1*       | Certification of Principal Executive Officer and Principal Financial Officer pursuant to Exchange Act rules 13a-14 or 15d-14.                                  |                  |                               |                      |                 |
| 32.1+       | Certification of Principal Executive Officer and Principal Financial Officer pursuant to Exchange Act rules 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350. |                  |                               |                      |                 |
| 101.INS*    | XBRL Instance Document.  |                  |                               |                      |                 |
| 101.SCH*    | XBRL Taxonomy Extension Schema Document.   |                  |                               |                      |                 |
| 101.CAL*    | XBRL Taxonomy Extension Calculation Document.  |                  |                               |                      |                 |
| 101.DEF*    | XBRL Taxonomy Extension Definition Linkbase Document.  |                  |                               |                      |                 |
| 101.LAB*    | XBRL Taxonomy Extension Labels Linkbase Document.  |                  |                               |                      |                 |
| 101.PRE*    | XBRL Taxonomy Extension Presentation Link Document.  |                  |                               |                      |                 |

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\* Filed herewith.

+ The certification furnished in Exhibit 32.1 hereto is deemed to be furnished with this Quarterly Report on Form 10-Q and will not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Registrant specifically incorporates it by reference.

