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

# FORM 10-Q/A
**(Amendent No. 1)**

(Mark One)

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

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2013**

**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 000-55021**

# CymaBay Therapeutics, Inc.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware**<br>(State or other jurisdiction of incorporation or organization) | **94-3103561**<br>(I.R.S. Employer Identification No.) |
| **3876 Bay Center Place**<br>**Hayward, CA**<br>(Address of principal executive offices) | **94545**<br>(Zip Code) |

**(650) 624-1100**
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer ☐ Accelerated filer ☐

Non-accelerated filer ☐ (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 October 31, 2013, there were 9,455,064 shares of the registrant's Common Stock outstanding.

**Explanatory Note**

We are filing this Amendment No. 1 (“Amendment No. 1”) to our Quarterly Report on Form 10-Q for the period ended September 30, 2013:

(1) to amend and revise Part I, Item I - Financial Statements, of our original Quarterly Report for this period (the “Original Report”), to revise the presented statements of operations detail for the three and nine month periods ended September 30, 2013 and 2012, to conform to presentation in the subsequently filed Form S-1 on November 29, 2013; and

(2) to furnish Exhibit 101 to the Form 10-Q in accordance with Rule 405 of Regulation S-T. Exhibit 101 to this report provides the financial statements and related notes from the Amendment No. 1 formatted in XBRL (eXtensible Business Reporting Language). As permitted by Rule 405(a)(2)(ii) of Regulations S-T, Exhibit 101 was required to be furnished by amendment within 30 days of the original filing date of the Original Report.

Other than as set forth above, no other changes have been made to the Original Report. This Amendment No. 1 speaks as of the original filing date of the Original Report, does not reflect events that may have occurred subsequent to the original filing date, and other than as set forth in (1) above, does not modify or update in any way disclosures made in the Original Report.

**CYMABAY THERAPEUTICS, INC.**
**QUARTERLY REPORT ON FORM 10-Q**
**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2013**

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## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

**CYMABAY THERAPEUTICS, INC.**
**CONDENSED BALANCE SHEETS**
**(In thousands, except share and per share amounts)**

| | September 30, 2013 unaudited | December 31, 2012 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 32,080 | $ 7,726 |
| Contract receivables | — | 108 |
| Accrued interest receivable | — | 9 |
| Prepaid expenses | 33 | 147 |
| Total current assets | 32,113 | 7,990 |
| Property and equipment, net | 9 | 84 |
| Other assets | 42 | 42 |
| Total assets | $ 32,164 | $ 8,116 |
| **Liabilities and redeemable convertible preferred stock and stockholders' equity (deficit)** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,039 | $ 657 |
| Accrued liabilities | 1,204 | 894 |
| Convertible notes | — | 13,737 |
| Accrued interest payable | — | 2,566 |
| Total current liabilities | $ 2,243 | 17,854 |
| Convertible notes | 4,374 | — |
| Long term warrant liability | 5,310 | — |
| Deferred rent | 131 | 132 |
| Total Liabilities | 12,058 | 17,986 |
| Commitments and contingencies *(Note 8)* | | |
| Redeemable convertible preferred stock, $0.0001 par value: 55,258,608 shares authorized; 0 and 624,426 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively; aggregate liquidation preference of $256,750 as of December 31, 2012 | — | 318,697 |
| Stockholders' equity (deficit): | | |
| Common stock, $0.0001 par value: 100,000,000 shares authorized; 8,790,764 and 5,792 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively | 1 | — |
| Additional paid-in capital | 365,033 | 913 |
| Accumulated other comprehensive income (loss) | — | — |
| Accumulated deficit | (344,928) | (329,480) |
| Total stockholders' equity (deficit) | 20,106 | (328,567) |
| Total liabilities and redeemable convertible preferred stock and stockholders' equity (deficit) | $ 32,164 | $ 8,116 |

See Accompanying Notes.

# CYMABAY THERAPEUTICS, INC.
## CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
### (In thousands, except per share amounts)
### (unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Contract revenue | $ — | $ 2,913 | $ — | $ 3,037 |
| Operating expenses: | | | | |
| Research and development | 703 | 2,282 | 3,162 | 7,560 |
| General and administrative | 683 | 925 | 2,780 | 3,343 |
| Total operating expenses | 1,386 | 3,207 | 5,942 | 10,903 |
| Loss from operations | (1,386) | (294) | (5,942) | (7,866) |
| Other income (expense): | | | | |
| Interest income | 0 | 3 | 1 | 20 |
| Interest expense | (219) | (220) | (640) | (620) |
| Other income, net | 298 | 0 | 422 | 1 |
| Net loss | (1,307) | (511) | (6,159) | (8,465) |
| Net income (loss) attributable to common stockholders | $ 42,870 | $ (3,690) | $ 16,478 | $ (17,930) |
| Net loss | (1,307) | (511) | (6,159) | (8,465) |
| Other comprehensive loss/income: | | | | |
| Unrealized losses on marketable securities | — | (2) | — | (2) |
| Other comprehensive loss | — | (2) | — | (2) |
| Comprehensive loss | $ (1,307) | $ (513) | $ (6,159) | $ (8,467) |
| Basic net income (loss) per common share | $ 422.95 | $(637.05) | $ 433.33 | $(3,098.31) |
| Weighted average common shares outstanding used to calculate basic net income (loss) per common share | 101,358 | 5,792 | 38,027 | 5,787 |
| Diluted net loss per common share | $ (1.79) | $(637.50) | $ (8.94) | $(3,098.31) |
| Weighted average common shares outstanding used to calculate diluted net loss per common share | 731,970 | 5,792 | 688,825 | 5,787 |

See Accompanying Notes.

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**CYMABAY THERAPEUTICS, INC.**
**CONDENSED STATEMENTS OF CASH FLOWS**
**(In thousands)**
**(unaudited)**

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2013** | **2012** |
| **Operating activities** | | |
| Net loss | $ (6,159) | $ (8,465) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 50 | 91 |
| Amortization of notes payable conversion option | 10 | — |
| Non-employee stock-based compensation expense | — | 1 |
| Employee and director stock-based compensation expense | 49 | 62 |
| Non-cash interest associated with discount accretion | — | 45 |
| Gain on sale of property and equipment | (425) | — |
| Changes in assets and liabilities: | | |
| Contract receivables | 108 | (2,941) |
| Accrued interest receivable | 9 | 69 |
| Prepaid expenses | 114 | (12) |
| Other assets | — | 51 |
| Accounts payable | 382 | (696) |
| Accrued liabilities | 310 | 353 |
| Accrued interest payable | 632 | 575 |
| Deferred rent | (1) | (59) |
| Deferred revenue | — | 13 |
| Net cash used in operating activities | (4,921) | (10,913) |
| **Investing activities** | | |
| Proceeds from sale of property and equipment | 450 | — |
| Purchases of marketable securities | — | (2,882) |
| Proceeds from maturities of marketable securities | — | 13,892 |
| Net cash provided by investing activities | 450 | 11,010 |
| **Financing activities** | | |
| Proceeds from facility loan | 4,853 | — |
| Proceeds from issuance of commons stock and warrants, net of issuance costs | 23,975 | — |
| Repurchase of preferred stock | (3) | — |
| Principal payments on equipment loans | — | (12) |
| Net cash provided by (used in) financing activities | 28,825 | (12) |
| Net increase in cash and cash equivalents | 24,354 | 85 |
| Cash and cash equivalents at beginning of year | 7,726 | 8,021 |
| Cash and cash equivalents at end of year | $ 32,080 | $ 8,106 |
| **Supplemental disclosure of cash flow information** | | |
| Issuance of common stock warrants-lenders | $ 479 | — |
| Issuance of common stock warrants-common stock | $ 4,831 | — |
| Conversion of preferred shares into common stock | $323,155 | — |
| Issuance of common stock for debt extinguishment | $ 16,945 | — |

See Accompanying Notes.

**CymaBay Therapeutics, Inc.**
**Notes to Condensed Financial Statements**
**(unaudited)**

**1. Organization and Description of Business**

CymaBay Therapeutics Inc., formerly Metabolex, Inc., is focused on developing therapies to treat metabolic diseases. Arhalofenate, our lead product candidate, is being developed for the treatment of gout. Arhalofenate has demonstrated two therapeutic actions: the prevention of painful attacks of gout in joints (flares) and the lowering of serum uric acid (sUA) by promoting excretion of uric acid by the kidney. In addition, arhalofenate provides physicians with what they identified in a recent survey (TreatmentTrends®: Gout U.S. August 2011) as the most important attributes when selecting a gout therapy: no serious safety issues, well tolerated, minimize frequency of flares and use in patients with a broad range of comorbidities, (other diseases that individual patients have in addition to gout). The Company was incorporated in Delaware in October 1988 as Transtech.

CymaBay has completed three Phase 2 studies of arhalofenate in gout patients in which it demonstrated a consistent pattern of reduction of flare incidence and duration and lowering of serum uric acid (sUA). Arhalofenate has established a safety profile in toxicology studies in animals and in clinical studies involving nearly 1,000 patients exposed to arhalofenate. One additional Phase 2b clinical study of 12 weeks duration is planned to confirm the safety and efficacy of a higher dose prior to initiating Phase 3 studies. Due to its safety profile and ability to both reduce flares and lower sUA, we believe that arhalofenate has a differentiated profile that is attractive for use in a large population, with significant advantages over marketed and emerging agents which have limitations in their efficacy, tolerability, and use in patients with common comorbidities. CymaBay is poised to follow arhalofenate with two additional clinical stage product candidates, one in diabetes and one that has potential utility in high unmet need (no existing or limited therapies) and/or orphan diseases (rare diseases).

The Company has incurred net losses from operations since its inception and has an accumulated deficit of $344.9 million and $329.5 million at September 30, 2013, and December 31, 2012, respectively. The Company recorded net loss of $6.2 million for the nine months ended September 30, 2013. The Company also recorded negative cash flows from operating activities during the nine months ended September 30, 2013 of $4.9 million. To date, none of the Company’s product candidates have been approved for marketing and sale, and the Company has not recorded any product sales. Management expects operating losses to continue for the next several years. The Company’s ability to achieve profitability is dependent primarily on its ability to successfully develop, acquire or in-license additional product candidates, continue clinical trials for product candidates currently in clinical development, obtain regulatory approvals, and support commercialization activities for partnered product candidates. Products developed by the Company will require approval of the U.S. Food and Drug Administration (FDA) or a foreign regulatory authority prior to commercial sale. The regulatory approval process is expensive, time-consuming, and uncertain, and any denial or delay of approval could have a material adverse effect on the Company. Even if approved, the Company’s products may not achieve market acceptance and will face competition from both generic and branded pharmaceutical products. As of September 30, 2013, and December 31, 2012, the Company had cash and cash equivalents of $32.1 million and $7.7 million and a working capital surplus (deficit) of $29.9 million and ($9.9) million, respectively.

On September 30, 2013, the Company sold shares of its common stock and warrants to purchase shares of its common stock in a private placement for aggregate gross proceeds of $26.8 million, and raised an additional $5.0 million in venture debt financing pursuant to a $10.0 million loan agreement which the Company entered into simultaneously with the private placement on September 30, 2013, resulting in aggregate net proceeds to the Company of $28.9 million after deducting placement agent fees and estimated offering expenses. At the same time the Company issued shares of its common stock in cancellation of approximately $16.9 million of debt owed to the holder of that debt. On October 31, 2013, the Company sold additional shares of its common stock and warrants to purchase shares of its common stock, which sales are also part of the private placement, for aggregate net proceeds of $2.9 million after deducting placement agent fees and estimated offering expenses. The private placement, the venture debt financing and the issuance of common stock in cancellation of the $16.9 million of debt is referred to as the 2013 financing. After giving effect to the 2013 financing, the Company believes that its existing cash will allow the Company to continue operation through the third quarter of 2015.

Further, on November 22, 2013, Company entered into an agreement with investors to purchase shares of its common stock and warrants to purchase shares of its common stock as part of the 2013 financing for aggregate gross proceeds of $3.0 million, which sales will occur shortly after the listing of the Company's common stock on the over-the-counter market.

## 2. Summary of Significant Accounting Policies

### Unaudited Interim Financial Information

The accompanying interim condensed consolidated financial statements are unaudited. These unaudited interim financial statements have been prepared in accordance U.S. GAAP ("GAAP") and following the requirements of the United States Securities and Exchange Commission ("SEC") for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by GAAP can be condensed or omitted. In management's opinion, the unaudited interim financial statements have been prepared on the same basis as the audited financial statements and include all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the Company's financial position and its results of operations and comprehensive income (loss) and its cash flows for periods presented. These statements do not include all disclosures required by GAAP and should be read in conjunction with the Company's financial statements and accompanying notes for the fiscal year ended December 31, 2012, which is contained in the Company's filing on Form 10 Amendment No. 4 on November 22, 2013. The results for the three and nine months ended September 30, 2013, are not necessarily indicative of results to be expected for the year ending December 31, 2013, or for any other interim period or for any future year.

### Basis of Presentation and Use of Estimates

The financial statements have been prepared in accordance with GAAP, which requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Management bases its estimates on historical experience and on assumptions believed to be reasonable under the circumstances. The estimation process often may yield a range of potentially reasonable estimates of the ultimate future outcomes, and management must select an amount that falls within that range of reasonable estimates. Actual results could differ materially from those estimates. The Company believes significant judgment is involved in determining revenue recognition and in estimating stock-based compensation, accrued liabilities, and equity and liability instrument valuations.

### Reverse Stock Split

On September 30, 2013, the Company filed an amended and restated certificates of incorporation under which the Company's preferred stock and common stock was reverse split on a 1-for-79.5 basis. The accompanying financial statements and notes to the financial statements, give retroactive effect to the reverse split for all periods presented.

### Concentration of Credit Risk

Cash, cash equivalents, and marketable securities consist of financial instruments that potentially subject the Company to a concentration of credit risk to the extent of the fair value recorded in the balance sheet. The Company invests cash that is not required for immediate operating needs primarily in highly liquid instruments that bear minimal risk. The Company has established guidelines relating to the quality, diversification, and maturities of securities to enable the Company to manage its credit risk.

### Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short-term marketable securities, accounts payable, accrued expenses, warrant liabilities and convertible notes. Fair value estimates of these instruments are made at a specific point in time, based on relevant market information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. The carrying amounts of cash and cash equivalents, and accrued liabilities are generally considered to be representative of their respective fair values because of the short-term nature of those instruments. The carrying amount of the warrant liabilities represents their fair values.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets and liabilities that are measured at fair value are reported using a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy maximizes the use of observable inputs and maximizes the use of unobservable inputs and is as follows:

Level 1—Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2—Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly.

Level 3—Inputs that are unobservable for the asset or liability.

The carrying amounts of financial instruments such as cash and cash equivalents, short-term marketable securities, accounts payable, convertible notes, and accrued expenses approximate the related fair values due to the short-term maturities of these instruments. Marketable securities consist of available-for-sale securities that are reported at fair value, with the related unrealized gains and losses included in accumulated other comprehensive income (loss), a component of stockholders' equity (deficit). The Company values cash equivalents and marketable securities using quoted market prices or alternative pricing sources and models utilizing observable market inputs and, as such, classifies cash equivalents and marketable securities within Level 1 or Level 2. As of September 30, 2013, the Company also held a Level 3 liability associated with warrants, issued in connection with the Company's equity offering, completed in September 2013. The warrants are considered a liability and are valued using an option-pricing model, the inputs for which include exercise price of the warrants, market price of the underlying common shares, expected term, volatility based on a group of the Company's peers and the risk-free rate corresponding to the expected term of the warrants. Changes to any of the inputs can have a significant impact to the estimated fair value of the warrants.

### Cash, Cash Equivalents, and Marketable Securities

The Company considers all highly liquid investments with a remaining maturity of 90 days or less at the time of purchase to be cash equivalents. Cash and cash equivalents consist of deposits with commercial banks in checking, interest-bearing, and demand money market accounts. The Company invests excess cash in marketable securities with high credit ratings. These securities consist primarily of U.S. Treasury or agency obligations and corporate debt and are classified as "available-for-sale." Management may liquidate any of these investments in order to meet the Company's liquidity needs in the next year. Accordingly, any investments with contractual maturities greater than one year from the balance sheet date are classified as short-term in the balance sheet.

Realized gains and losses from the sale of marketable securities, if any, are calculated using the specific identification method. Realized gains and losses and declines in value judged to be other-than-temporary are included in interest income or expense in the statements of operations. Unrealized holding gains and losses are reported in accumulated other comprehensive income (loss), in the balance sheet. To date, the Company has not recorded any impairment charges on its marketable securities related to other-than-temporary declines in market value. In determining whether a decline in market value is other-than-temporary, various factors are considered, including the cause, duration of time and severity of the impairment, any adverse changes in the investees' financial condition, and the Company's intent and ability to hold the security for a period of time sufficient to allow for an anticipated recovery in market value.

### Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is calculated using the straight-line method, and the cost is amortized over the estimated useful lives of the respective assets, generally three to seven years. Leasehold improvements are amortized over the shorter of the useful lives or the non-cancelable term of the related lease. Maintenance and repair costs are charged as expense in the statements of operations and comprehensive income (loss) as incurred.

**Impairment of Long-Lived Assets**

The Company reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss is recognized if the estimated undiscounted future cash flow expected to result from the use and eventual disposition of an asset is less than the carrying amount. While the Company's current and historical operating losses and cash flows are indicators of impairment, the Company believes the future cash flows to be received support the carrying value of its long-lived assets. Accordingly, the Company has not recognized any impairment losses as of September 30, 2013, and December 31, 2012.

**Deferred Rent**

The Company records its costs under facility operating lease agreements as rent expense. Rent expense is recognized on a straight-line basis over the non-cancelable term of the operating lease. The difference between the actual amounts paid and amounts recorded as rent expense is recorded to deferred rent in the balance sheet.

**Revenue Recognition**

The Company recognizes revenue when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the price is fixed and determinable, and (iv) collectability is reasonably assured. Payments received in advance of work performed are recorded as deferred revenue and recognized when earned. All revenue recognized to date under the collaboration agreements has been nonrefundable.

All contract revenue was from one strategic partner for the nine months ended September 30, 2012. There was no contract revenue for the nine months ended September 30, 2013.

*Multiple Element Arrangements*

The Company evaluates revenue from agreements that have multiple elements to determine whether the components of the arrangement represent separate units of accounting. Management considers whether components of an arrangement represent separate units of accounting based upon whether certain criteria are met, including whether the delivered element has stand-alone value to the customer. To date, all of the Company's collaboration agreements have been assessed to have one unit of accounting. Up-front and license fees received for a combined unit of accounting have been deferred and recognized ratably over the projected performance period. Non-refundable fees where the Company has no continuing performance obligations have been recognized as revenue when collection is reasonably assured and all other revenue recognition criteria have been met.

*Milestones and Contingent Payments*

Contingent consideration received from the achievement of a substantive milestone will be recognized in its entirety in the period in which the milestone is achieved. A milestone is defined as an event having all of the following characteristics: (i) there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved, (ii) the event can only be achieved based in whole or in part on either the Company's performance or a specific outcome resulting from the Company's performance and (iii) if achieved, the event would result in additional payments being due to the Company.

The Company's future research and development and license agreements may provide for success fees or payments to be paid to the Company upon the achievement of certain development milestones. Given the challenges inherent in developing biologic products, there may be substantial uncertainty as to whether any such milestones would be achieved at the time the agreements are executed. In addition, the Company will evaluate whether the development milestones meet all of the conditions to be considered substantive. The conditions include: (1) the consideration is commensurate with either of the following: (a) the Company's performance to achieve the milestone or (b) the enhancement of the value of the delivered item or items as a result of a specific outcome resulting from the Company's performance to achieve the milestone; (2) the consideration relates solely to past performance; and (3) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement. If the Company considers the development milestones to be substantive, revenue related to such future milestone payments will be recognized as the Company achieves each milestone.

*Research and Development Funding*

Internal and external research and development costs reimbursed in connection with research and development funding or collaboration agreements are recognized as revenue in the same period as the costs are incurred, and are presented on a gross basis because the Company acts as a principal, has the discretion to choose suppliers, bears credit risk, and performs part of the services.

**Research and Development Expenses**

Research and development expenses consist of costs incurred in identifying, developing, and testing product candidates. These expenses consist primarily of costs for research and development personnel, including: related stock-based compensation; contract research organizations and other third parties that assist in managing, monitoring, and analyzing clinical trials; investigator and site fees; laboratory services; consultants; contract manufacturing services; non-clinical studies, including materials; and allocated expenses, such as depreciation of assets, and facilities and information technology that support research and development activities. Research and development costs are expensed as incurred, including expenses that may or may not be reimbursed under research and development funding arrangements. Research and development expenses under collaboration agreements approximate the revenue recognized under such agreements.

The expenses related to clinical trials are based upon estimates of the services received and efforts expended pursuant to contracts with multiple research institutions and clinical research organizations that conduct and manage clinical trials on behalf of the Company. Expenses related to clinical trials are accrued based upon the level of activity incurred under each contract as indicated by such factors as progress made against specified milestones or targets in each period, patient enrollment levels, and other trial activities. Payments made to third parties under these clinical trial arrangements in advance of the receipt of the related services are recorded as prepaid assets, depending on the terms of the agreement, until the services are rendered.

**Stock-Based Compensation**

Employee and director stock-based compensation is measured at the grant date, based on the fair-value based measurements of the stock awards, and the portion that is ultimately expected to vest is recognized as an expense over the related vesting periods, net of estimated forfeitures. The Company calculates the fair-value based measurements of options using the Black-Scholes valuation model and the single-option approach and recognizes expense using the straight-line attribution method.

Equity awards granted to non-employees have been accounted for using the Black-Scholes valuation model to determine the fair value-based measurements of such instruments. The fair value-based measurements of options and warrants granted to non-employees are re-measured over the related vesting period and amortized to expense as earned.

**Warrant Liabilities**

Warrants issued to common stock holders and lenders by the Company in conjunction with the 2013 financing were classified as liabilities in the accompanying balance sheets, as the terms for redemption of the underlying security were outside the Company's control. The warrants were recorded at fair value using either the Black-Scholes option pricing model, probability weighted expected return model or a binomial model, depending on the characteristics of the warrants. The fair value of these warrants is re-measured at each financial reporting period with any changes in fair value being recognized as a component of other income (expense) in the accompanying condensed statements of operations and comprehensive income (loss).

**Income Taxes**

The Company utilizes the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and the tax bases of assets and liabilities and are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is recorded when it is more likely than not that all or part of a deferred tax asset will not be realized.

The Company follows the accounting guidance for uncertainty in income taxes. The guidance prescribes a recognition threshold and measurement attribute criteria for the financial 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 based on the technical merits of the position. Due to the Company's ongoing operating losses since inception, the Company has not recorded reserves for uncertain tax positions as of September 30, 2013, and December 31, 2012.

The Company recognizes the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. The Company records interest related to income taxes, if any, as interest, and any penalties would be recorded as other expense in the statements of comprehensive income (loss). There was no interest or penalties related to income taxes recorded during the three and the nine months period ended September 30, 2013.

**Comprehensive Income (Loss)**

Comprehensive income (loss) includes net income (loss) and net unrealized gains and losses on marketable securities, which are presented in a single continuous statement. Comprehensive income (loss) is disclosed in the statements of redeemable convertible preferred stock and stockholders' deficit, and is stated net of related tax effects, if any.

**Net Income (Loss) Per Common Share**

Basic net income (loss) per share of common stock is based on the weighted average number of shares of common stock outstanding equivalents during the period. Prior to the 2013 financing, in addition to common stock, the Company had preferred stock outstanding that contractually entitled the holder to participate in dividends and earnings of the Company. Accordingly, the Company applied the two-class method for calculating net income (loss) per share. Under this method, all undistributed earnings are allocated first to the preferred stockholders based on their contractual right to dividends. This right is calculated on a pro rated basis for the portion of the period the preferred shares were outstanding. In addition, in connection with the 2013 financing, during the three and nine months ended September 30, 2013, the Company extinguished all outstanding preferred stock. The excess of the carrying amount of such preferred stock over the fair value of the consideration paid to the holders was treated as an adjustment that reduced preferred stockholders' dividend or distribution entitlement. The amount of earnings that resulted from adjusting net loss for the period as described above was allocated between weighted average number of participating preferred and common stock shares based on their entitlement to such distributions as if all of the earnings of the period had been distributed.

Diluted net loss per share of common stock is calculated using the more dilutive of the two approaches: one, "as-converted" method, under which the weighted average number of common stock shares outstanding during the period is adjusted to include the assumed conversion of redeemable convertible preferred stock at the beginning of the period, and the other, the "two-class" method as described above. Under either approach, the weighted average number of shares outstanding is also adjusted to include the assumed exercises of stock options and warrants, if dilutive. For periods in which the Company has basic net loss per share of common stock, such as for the three and nine months ended September 30, 2012, diluted net loss per share is the same as basic, as any adjustments would have been anti-dilutive. For three and nine months ended September 30, 2013, the Company's diluted net loss per common share was calculated using the "as-converted" method, as it resulted in a net loss per share of common stock and accordingly, was more dilutive than the "two-class" method.

In all periods presented, the Company's outstanding stock options and warrants were excluded from the calculation of earnings (loss) per share because the effect would be antidilutive.

The following table sets forth the computation of basic and diluted net income (loss) per share (in thousands, except share and per share amounts):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2012 | 2013 | 2012 | 2013 |
| Basic: | | | | |
| Numerator: | | | | |
| Net loss | $ (511) | $ (1,307) | $ (8,465) | $ (6,159) |
| Accretion to redemption value of redeemable convertible preferred stock | (3,179) | (3,036) | (9,465) | (9,289) |
| Reduction in redeemable convertible preferred stock distribution entitlement upon extinguishment | — | 313,933 | — | 313,933 |
| Amounts allocated to participating redeemable convertible preferred stock | — | (266,720) | — | (282,006) |
| Net income (loss) allocated to common stock—basic | $ (3,690) | $ 42,870 | $ (17,930) | $ 16,478 |
| Denominator: | | | | |
| Weighted average number of common stock shares outstanding | 5,792 | 101,358 | 5,787 | 38,027 |
| Net income (loss) per share—basic: | $(637.05) | $ 422.95 | $(3,098.31) | $ 433.33 |
| Diluted: | | | | |
| Numerator: | | | | |
| Net income (loss) allocated to common stock | $ (3,690) | $ 42,870 | $ (17,930) | $ 16,478 |
| Adjustments from assumed conversion of redeemable convertible preferred Stock | — | (44,177) | — | (22,637) |

| | | | | |
|---|---|---|---|---|
| Net loss allocated to common stock—diluted | $ (3,690) | (1,307) | $ (17,930) | $ (6,159) |
| Denominator: | | | | |
| Weighted average number of common stock shares outstanding | 5,792 | 101,358 | 5,787 | 38,027 |
| Weighted average number of preferred stock shares outstanding | — | 630,612 | — | 650,798 |
| Total common stock shares equivalents | 5,792 | 731,970 | 5,787 | 688,825 |
| Net loss per share—diluted: | $(637.05) | $ (1.79) | $(3,098.31) | $ (8.94) |

The following table shows the total outstanding securities considered anti-dilutive and therefore excluded from the computation of diluted net income (loss) per share (in thousands):

| | Three and Nine Months Ended September 30, | |
|---|---|---|
| | 2013 | 2012 |
| | (unaudited) | |
| Redeemable convertible preferred stock | — | 661,059 |
| Common stock options | 89,609 | 107,279 |
| Warrants for common stock | 1,543,437 | — |

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**Recent Accounting Pronouncements**

In February 2013, Accounting Standards Codification Topic 220, *Comprehensive Income* was amended to require companies to report, in one place, information about reclassifications out of accumulated other comprehensive income. Accordingly, a company can present this information on the face of the financial statements, if certain requirements are met, or the information must be presented in the notes to the financial statements. The Company adopted this guidance as of January 1, 2013, on a retrospective basis and the items reclassified out of accumulated other comprehensive income are not material for all periods presented.

**3. Certain Balance Sheet Items**

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

| | September 30, (unaudited) 2013 | December 31, 2012 |
|---|---|---|
| Laboratory equipment | $ — | $ 3,778 |
| Office and computer equipment | 605 | 983 |
| Purchased software | 166 | 166 |
| Furniture and fixtures | 43 | 174 |
| Leasehold improvements | 2,534 | 2,534 |
| Total | 3,348 | 7,635 |
| Less accumulated depreciation and amortization | (3,339) | (7,551) |
| Property and equipment, net | $ 9 | $ 84 |

Property and equipment includes assets financed through equipment loans, which were fully paid in January 2012. In the third quarter of 2013, CymaBay sold or disposed of all of its machinery and equipment and a portion of its computers and furniture and fixtures which resulted in a gain on sale of assets of $0.4 million.

Accrued liabilities consist of the following (in thousands

| | September 30, (unaudited) 2013 | December 31, 2012 |
|---|---|---|
| Accrued compensation | $ 269 | $ 291 |
| Accrued pre-clinical and clinical trial expenses | 199 | 304 |
| Accrued professional fees | 736 | 285 |
| Other accruals | — | 14 |
| Total accrued liabilities | $ 1,204 | $ 894 |

**4. Warrants**

In September 2013, in connection with a private placement of common stock and warrants, the Company issued five-year warrants to purchase 1,421,698 shares of CymaBay's common stock at an exercise price of $5.75 per share. The Company also issued five-year warrants to purchase 121,739 shares of CymaBay's common stock at an exercise price of $5.00 per share. These warrants contain provisions that are contingent on the occurrence of a change in control, which would conditionally obligate the Company to repurchase the warrants for cash in an amount equal to their fair value using the Black-Scholes Option Pricing Model (the "Black-Scholes Model") on the date of such change in control. Due to these provisions, the Company is required to account for the warrants issued in September 2013 as a liability at fair value. In addition, the estimated liability related to the warrants is required to be revalued at each reporting period until the earlier of the exercise of the warrants, at which time the liability will be reclassified to stockholders' equity, or expiration of the warrants. At issuance date, the fair value of the total warrant liability was estimated to be $5.3 million using the Black-Scholes Model.

**5. Collaboration Agreements**

**Sanofi-Aventis Deutschland GMBH**

In 2013, there were no contract revenues, and in September 2012 the Company recognized a final payment from Sanofi-Aventis of $2.9 million as contract revenue.

**Takeda San Francisco, Inc.**

In March 2010, the Company entered into a research collaboration agreement with Takeda San Francisco, Inc. (TSF), a wholly owned subsidiary of Takeda Pharmaceutical Company Limited. The Company collaborated with TSF on the evaluation and validation of protein targets for the development of biological products. Approximately $0.1 million was recognized as specific research and development funding under this agreement in nine months ended September 30, 2012. Takeda terminated this agreement on March 16, 2013, with no further payments being made after its termination.

**Pfizer, Inc.**

In December 1998, the Company entered into a collaboration agreement in the area of insulin secretion target discovery with the Parke-Davis division of Warner-Lambert Company, since acquired by Pfizer Inc., to identify genes involved in diabetes and to develop therapeutic compounds from the research. The collaboration agreement provided for an initial five-year funded research term, which was subsequently extended an additional year until December 2004. The Company received payments for research and development costs for the funded research term and is entitled to receive payments for specified drug development achievements. If products resulting from the collaboration are eventually marketed and sold, the Company will also receive royalties on sales of such products. No amounts were received under this agreement in the three and nine months ended September 30, 2012 and 2013.

The Company was also eligible to receive contingent payments if certain development and commercial events were achieved as well as royalties on worldwide product sales, if any. No amounts were received under this agreement in the three and nine months ended September 30, 2012 and 2013.

**6. License Agreements**

In June 1998, the Company entered into a license agreement with DiaTex, Inc. (DiaTex) relating to products containing halofenate, its enantiomers, derivatives, and analogs (the licensed products). The license agreement provides that DiaTex and the Company are joint owners of all of the patents and patent applications covering the licensed products and methods of producing or using such compounds, as well as certain other know-how (the covered IP). As part of the license agreement, the Company received an exclusive worldwide license, including as to DiaTex, to use the covered IP to develop and commercialize the licensed products. The Company also retained the right to sub-license the covered IP. The license agreement contains a $2,000 per month license fee as well as a requirement to make additional payments for development achievements and royalty payments on any sales of licensed products. Pursuant to the license agreement, all of the Company's patents and patent applications related to MBX-102, its use, and production are jointly owned with DiaTex. DiaTex is entitled to up to $0.8 million for the future development of MBX-102, as well as royalty payments on any sales of products containing MBX-102. No development payments were made in the three and nine months ended September 30, 2012 and 2013, and no royalties have been paid to date.

### 7. Debt

On June 20, 2006 the Company entered into a equity and loan facility with the Johnson and Johnson Development Corporation ("JJDC") pursuant to which the Company could drawn down up to an aggregate of $30 million in loans in the form of convertible preferred stock promissory notes. In March and September 2008, the Company issued notes in the aggregate amount of $3.5 million and $10.5 million, respectively. The notes were due on March 17 and September 17, 2011, including interest that accrued at 7.57% per annum. In December 2010, the aggregate principal amount and all accrued interest under the notes issued in March and September 2008 were converted into the Company's Series E-3 convertible preferred stock (Series E-3 Preferred) at 232.93 per share.

In February and July 2009, the Company issued notes in the aggregate amount of $7.0 million and $6.7 million, respectively, which represented the remaining amount available to the Company, in accordance with the terms of the equity and loan facility with JJDC. The notes were due in February 2012 and July 2012, including interest that accrued at 4.42% per annum and 4.960% per annum, respectively. In January 2012, the Company amended the maturity dates of the outstanding $7.0 million and $6.7 million convertible promissory notes to extend the maturity date to March 1, 2013, and interest rates were increased to 4.919% and 5.46% per annum, respectively. In addition, the conversion price of the notes to convert into shares of the Company's Series C-1 Preferred Stock was decreased from $438.84 per share to $292.56 per share. All of these notes were further amended in March 2013, to extend the maturity date on the notes to August 1, 2013, and to make the notes subordinate to repayment of the Company's severance obligations to all employees until January 1, 2014. On July 31, 2013, the maturity date was extended to December 31, 2013. There are no financial covenants associated with the notes. For the three and nine months ended September 31, 2012 and 2013, the Company recognized $0.2 million and $0.6 million respectively, of interest expense related to the convertible promissory notes. On September 30, 2013, the outstanding principal and accrued interest of $16.9 million under the equity and loan facility with JJDC was extinguished in exchange for 624,944 shares of common stock as an integral part of the 2013 finance restructuring.

#### Facility Loan

On September 30, 2013, the Company entered into a facility loan agreement with Silicon Valley Bank and Oxford Finance for a total loan amount of $10.0 million of which the first tranche of $5.0 million was drawn as part of the 2013 financing. The loan is at a fixed interest rate of 8.75% payable twelve months interest only and thirty-six months amortization thereafter, with a final interest payment of $0.3 million at the end of the loan period. Until positive Phase 2b data is achieved, the Company must be in compliance with one of two financial covenants at all times: (1) maintain 1.3 times cash to outstanding debt or (2) maintain sufficient cash on hand to support eight months of operations based on a trailing average monthly cash burn. The first tranche loans under the term loan facility bear interest at a rate equal 8.75% per annum. Loans under the second tranche will bear interest at a rate fixed at the time of borrowing equal to the greater of (i) 8.75% per annum and (ii) the sum of the Wall Street Journal prime rate plus 4.25% per annum. We were also required to pay a facility fee of 1.00% on the term loan facility commitment.

At the time of the facility loan drawdown, the Company issued warrants exercisable for a total of 121,739 shares of the Company's common stock to the lenders at an exercise price of $5.00 per share. As a result of this a long term warrant liability of $0.5 million was recorded in the accompanying condensed balance sheet as of September 30, 2013.

### 8. Commitments and Contingencies

The Company leases office and laboratory space in a single building in Hayward, California. The facility lease, as amended on July 15, 2010, has a term of four years, unless terminated earlier by the Company, and expires on April 30, 2014. Rent expense was $0.4 million and $0.1 million for each of the nine and three months ended September 30, 2013.

Future minimum lease payments under this amended agreement are as follows (in thousands):

| | Lease Payments |
|---|---|
| Year ending December 31: | |
| 2013 | $ 422 |
| 2014 | 115 |
| Total future minimum payments | $ 537 |

### Indemnification

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnification, including indemnification associated with product liability or infringement of intellectual property rights. The Company's exposure under these agreements is unknown because it involves future claims that may be made against the Company that may be, but have not yet been, made. To date, the Company has not paid any claims or been required to defend any action related to these indemnification obligations, and no amounts have been accrued in the accompanying balance sheets related to these indemnification obligations.

The Company has agreed to indemnify its executive officers and directors for losses and costs incurred in connection with certain events or occurrences, including advancing money to cover certain costs, subject to certain limitations. The maximum potential amount of future payments the Company could be required to make under this indemnification is unlimited; however, the Company maintains insurance policies that may limit its exposure and may enable it to recover a portion of any future amounts paid. Assuming the applicability of coverage, the willingness of the insurer to assume coverage, and subject to certain retention, loss limits, and other policy provisions, the Company believes the fair value of these indemnification obligations is not material. Accordingly, the Company has not recognized any liabilities relating to these obligations as of September 30, 2013, and December 31, 2012. No assurances can be given that the covering insurers will not attempt to dispute the validity, applicability, or amount of coverage without expensive litigation against these insurers, in which case the Company may incur substantial liabilities as a result of these indemnification obligations.

### 9. Preferred Stock

Upon the closing of the private placement in September 2013, 46,626,294 outstanding shares of redeemable convertible preferred stock were converted into 2,793,281 shares of common stock, and the related carrying value of $324.0 million was reclassified to additional paid-in capital. At September 30, 2013, no shares of redeemable convertible preferred stock were issued or outstanding.

*Preferred Stock*

On September 30, 2013, the Company had authorized 10,000,000 shares of preferred stock with a par value of $.0001 per share. No shares of preferred stock were issued or outstanding as of September 30, 2013.

Prior to the September 30, 2013 conversion, the Company had the following series of outstanding convertible preferred stock (collectively, the Preferred Stock): Series A-1 Preferred, Series B-1 Preferred, Series C-1 Preferred, Series D-1 Preferred, Series E-1 Preferred and Series E-3 Preferred. Series E-1 Preferred and Series E-3 Preferred are collectively referred to as the Series E Preferred. The Preferred Stock was initially recorded at its original purchase price, which represented fair value on the date of issuance, net of issuance costs, if any. The original purchase price per share of Series A-1 Preferred, Series B-1 Preferred, Series C-1 Preferred, Series D-1 Preferred, and Series E Preferred is equal to $232.93, $232.93, $365.70, $232.94, and $232.93 per share, respectively. The preferred stock balances are recorded at the original fair value and the accreted dividends based on the per share terms at issuance of Series A-1 Preferred, Series B-1 Preferred, Series C-1 Preferred, Series D-1 Preferred, and Series E Preferred, which are equal to $18.64, $18.64, $29.26, $18.64, and $18.64 per share per annum, respectively.

The shares of Series B-1 Preferred, Series D-1 Preferred, and Series E Preferred were redeemable upon the request of the holders of at least 66 2/3% of outstanding shares of Series B-1 Preferred, voting as a separate class, and 51% of outstanding shares of Series D-1 Preferred and Series E Preferred, voting together as a separate class. In this event, the Company would be required to redeem the shares in three equal annual installments, beginning in September 2021, at the applicable original purchase price per share. All shares of Preferred Stock were redeemable in the event of a change of control at their liquidation preferences.

As all Preferred Stock was redeemable either at the option of the holder or upon an event outside the control of the Company (i.e., a change in control), the related amounts were presented outside of stockholders' equity (deficit). In August and December 2003, the Company completed two closings of a private placement of Series B-1 Preferred, in which the Company issued a total of 136,520 shares at a price of $232.93 per share for gross proceeds of $31.8 million. In November and December 2004, the Company completed two further closings of Series B-1 Preferred, in which the Company issued a total of 188,894 shares at a price of $232.93 per share for gross proceeds of $44.0 million. The Series B-1 Preferred investors in these two final closings also purchased warrants for 29,245 shares of common stock at an exercise price of $30.21 per share, with an exercise period of five years from the date of purchase, for $1.51 cents per share of common stock covered by the warrants. In November 2009, the exercise period of these warrants was extended to December 31, 2011. In December 2012, the Company's Board of Directors reduced the number of shares exercisable under these warrant by 45% of the original shares and approved the extension of the exercise period until April 1, 2013. In April 2013 these warrants expired in accordance with their terms.

In August 2006, the Company issued 27,345 shares of Series C-1 Preferred to JJDC at a price of $365.70 per share, for gross proceeds of $10.0 million.

In April 2007, the Company issued 137,592 shares of Series D-1 Preferred at a price of $232.94 per share, for gross proceeds of $32.0 million. In connection with the issuance, the Series D-1 Preferred investors also purchased warrants for an aggregate of 20,639 shares of common stock at an exercise price of $22.13 per share, with an exercise period of five years from the date of purchase, for $0.79 cents per share of common stock covered by the warrants.

In August 2008, the Company repurchased 646, 1,610 and 472 shares of Series A-1 Preferred, Series B-1 Preferred and Series D-1 Preferred, respectively, and a warrant for 71 shares of common stock, for an aggregate purchase price of $82,000. The Company allocated the purchase price among the preferred shares and warrant based upon their respective fair values.

In November 2009, the Company issued 1,288 shares of Series E-1 Preferred upon the conversion of debt issued under a loan agreement. In June and December 2010, the Company issued 859 and 37,119 shares of Series E-1 Preferred, respectively, upon conversion of debt issued under a loan agreement.

In December 2010, the Company issued 71,543 shares of Series E-3 Preferred upon conversion of the JJDC convertible notes that were due in 2011 (Note 7).

As of December 31, 2012, convertible preferred stock balances were as follows (in thousands, except share amounts):

| | Shares Authorized | Shares Issued and Outstanding | Aggregate Liquidation Preference | Carrying Value |
|---|---|---|---|---|
| Series A-1 | 12,734 | 12,734 | $ 5,187 | $ 75,454 |
| Series B-1 | 373,223 | 373,223 | 146,549 | 145,408 |
| Series C-1 | 75,472 | 27,345 | 15,122 | 15,074 |
| Series D-1 | 136,948 | 136,949 | 46,520 | 43,271 |
| Series E-1 | 40,252 | 39,265 | 19,820 | 10,674 |
| Series E-3 | 93,082 | 71,543 | 23,552 | 28,816 |
| Total | 731,711 | 661,059 | $ 256,750 | $318,697 |

The significant rights, privileges and preferences of the Preferred Stock were as follows:

**Election of Directors**

The holders of Series B-1 Preferred were entitled to elect five members of the Company's Board of Directors, the holders of Series D-1 Preferred were entitled to elect one member of the Company's Board of Directors, and the holders of common stock were entitled to elect one member of the Company's Board of Directors, subject to certain restrictions.

**Voting Rights**

Preferred Stock carried voting rights equal to the number of shares of common stock into which it could be converted. Additionally, certain corporate actions could only be exercised upon the approval of holders of 66 2/3% of the outstanding shares of Series B-1 Preferred and Series C-1 Preferred, voting together as a single class, and 51% of the outstanding shares of Series D-1 Preferred and Series E Preferred, voting together as a single class.

**Dividends**

All dividends on the Preferred Stock were payable when and if declared by the Company's Board of Directors. The holders of Series E Preferred were entitled to cumulative dividends in preference to the holders of Series A-1 Preferred, Series B-1 Preferred, Series C-1 Preferred, Series D-1 Preferred, and common stock. The holders of Series D-1 Preferred were entitled to cumulative dividends in preference to the holders of Series A-1 Preferred, Series B-1 Preferred, Series C-1 Preferred, and common stock. The holders of Series B-1 Preferred and Series C-1 Preferred were entitled to cumulative dividends in preference to the holders of Series A-1 Preferred and common stock. The holders of Series A-1 Preferred were entitled to cumulative dividends in preference to the holders of common stock. The dividend rate were $18.64, $18.64, $29.26, $18.64, and $18.64 per annum for each outstanding share of Series E Preferred, Series D-1 Preferred, Series C-1 Preferred, Series B-1 Preferred, and Series A-1 Preferred, respectively. Additionally, if dividends were paid to any holder of common stock, the holders of Preferred Stock would receive a dividend of a per share amount (on an as-if-converted to common stock basis) equal to the amount paid to the holders of common stock.

No dividends were declared as of December 31, 2012. Prior to the conversion of the Preferred Stock, the aggregate cumulative dividends as of September 30, 2013, were $3.4 million ($47.28 per share), $1.9 million ($48.14 per share), $15.9 million ($116.00 per share), $5.6 million ($201.83 per share), $63.1 million ($168.96 per share), and $2.3 million ($183.64 per share) for Series E-3 Preferred, Series E-1 Preferred, Series D-1 Preferred, Series C-1 Preferred, Series B-1 Preferred, and Series A-1 Preferred, respectively. The aggregate cumulative dividends as of December 31, 2012, were $2.7 million ($38.04 per share), 1.5 million ($38.90 per share), $14.6 million ($106.75 per share), $5.1 million ($187.32 per share), $59.6 million ($159.72 per share), and $2.2 million ($174.40 per share) for Series E-3 Preferred, Series E-1 Preferred, Series D-1 Preferred, Series C-1 Preferred, Series B-1 Preferred, and Series A-1 Preferred, respectively.

**Liquidation Preference**

While the Preferred Stock was outstanding, in the event of a liquidation, dissolution, winding up, or change in control of the Company, the liquidation preference of each stockholder class was to be paid in the following order, from available funds: first to the holders of Series E-1 Preferred and Series E-3 Preferred, second to the holders of Series D-1 Preferred, third to the holders of Series B-1 Preferred and Series C-1 Preferred, and fourth to the holders of Series A-1 Preferred. After payment of the Preferred Stock liquidation preferences, the remaining assets of the Company were to be distributed ratably to all holders of common stock and Preferred Stock on an as-if-converted basis. The liquidation preference of Series E-1 Preferred, Series E-3 Preferred, Series D-1 Preferred, Series C-1 Preferred, Series B-1 Preferred, and Series A-1 Preferred was equal to $465.87, $290.97, $232.94, $365.70, $232.93, and $232.93 per share, respectively, plus any cumulative unpaid dividends. If there were insufficient funds available to satisfy each liquidation preference in its entirety, the holders of Preferred Stock were to be paid a pro rata amount based on their liquidation preference.

**Conversion Rights**

Each share of Preferred Stock was convertible at any time, at the option of the holder, into shares of the Company's common stock at the applicable conversion rate. The conversion rate for each of the series of Preferred Stock was 1:1, except for the Series D-1 Preferred, which had a conversion rate of 1.365:1. With respect to the Series E Preferred, Series D-1 Preferred, Series B-1 Preferred, and Series A-1 Preferred, if the Company issued common stock or securities convertible into or exercisable for shares of common stock at a price less than the respective original purchase price per share, the conversion rate of such stock would be adjusted to the lowest price per share paid in such issuance. The conversion rate for Preferred Stock would not be adjusted for common stock issuances on the exercise of options or warrants issued to employees, directors, or consultants of the Company and in certain other circumstances.

Each share of Preferred Stock automatically converted on September 30, 2013 into common stock upon the approval of holders of 66 2/3% of the outstanding shares of Series B-1 Preferred, voting as a separate class, and 51% of the outstanding shares of Series D-1 Preferred and Series E Preferred, voting together as a separate class, or upon the closing of an underwritten public offering of the Company's common stock pursuant to an effective registration statement under the Securities Act of 1933, as amended, at a per share price of at least $8.00, and raising aggregate gross proceeds of at least $30.0 million. In connection with the Company's 2013 financing, each holder of the Company's preferred stock that participated in such financing for between 1% and up to 99% of such holders "*Pro Rata Share*" (as defined in the Company's then effective certificate of incorporation) had each shares of preferred stock represented by such participation amount convertible into four shares of common stock and the balance of any shares of preferred stock converted into common stock at the applicable conversion rate as defined in the certificate of incorporation. Any holder that participated in the 2013 financing for between 100% and 300% of such holder's Pro Rata Share (the "*Participation Multiple*") had each shares of preferred stock convert into shares of common stock by multiplying the product of (y) the aggregate number of shares of preferred stock held by such holder multiplied by the applicable Participation Multiple and (z) four (4).

**10. Common Stock**

On September 30, 2013, the Company authorized 100,000,000 shares of common stock with a par value of $.0001 per share. On September 30, 2013, 8,790,764 shares of common stock were issued at $5.00 per share in the 2013 financing which included a reverse split on a 1-for-79.5 basis of the Company's existing preferred and common stock . In addition, 1,421,698 warrants were issued at $5.75 per share and 121,739 warrants were issued at $5.00 per share. As a result of this a long term warrant liability of $4.8 million was recorded in the accompanying balance sheet as of September 30, 2013.

As of September 30, 2013 and December 31, 2012, the Company had reserved shares of authorized but unissued common stock as follows:

| | Shares Reserved September 30, 2013 (unaudited) | Shares Reserved December 31, 2012 |
|---|---|---|
| Conversion of convertible preferred stock | — | 661,059 |
| Outstanding common stock warrants | 1,543,437 | 28,208 |
| Equity incentive plans | 577,294 | 140,474 |
| Total reserved shares of common stock | 2,120,731 | 829,740 |

In addition to the above reserved shares, the Company has reserved stock for issuance upon conversion of the outstanding convertible notes (Note 7).

**11. Stock Plans and Stock-Based Compensation**

**Stock Plans**

On September 30, 2013, the Company's stockholders approved the 2013 Equity Incentive Plan, or 2013 Plan, under which shares of the Company's common stock are reserved for issuance pursuant to stock awards, including, but not limited to, incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance stock awards, and performance cash awards. In addition, the share reserve will automatically increase on January 1st of each year, for a period of not more than ten years, commencing on January 1, 2014, in an amount equal to 5% of the total number of shares of capital stock outstanding on December 31st of the preceding calendar year, unless the Board determines otherwise prior to December 31st of such calendar year. As of November 1, 2013, we had issued options exercisable for an aggregate of 321,574 shares of the Company's common stock under the 2013 Plan.

**Stock-Based Compensation Expense**

*Employee and Director Expense*

Employee and director stock-based compensation expense recorded was as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | | | (unaudited) | |
| Research and development | 5 | 7 | 16 | 20 |
| General and administrative | 11 | 15 | 33 | 43 |
| Total | $ 16 | $ 22 | 49 | 63 |

**12. Income Taxes**

No provision for U.S. income taxes exists due to tax losses incurred in all periods presented. Deferred income taxes reflect the tax effects of net operating loss and tax credit carryforwards and the net temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income tax purposes.

Realization of the net deferred tax assets is dependent upon future taxable income, if any, the amount and timing of which is uncertain. Based on available objective evidence, management believes it more likely than not that the Company's deferred tax assets are not realizable. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. The net valuation allowance increased by $0 and $4.5 million during the nine months ended September 30, 2013 and the year ended December 31, 2012, respectively.

As of December 31, 2012, the Company had federal and state net operating loss carryforwards of approximately $156.0 million to offset future federal income taxes which will expire beginning in 2024 through 2032 and the state income taxes which will expire beginning in 2014 through 2032. Current federal and state tax laws include substantial restrictions on the utilization of net operating losses and tax credits in the event of an ownership change. Even if the carryforwards are available, they may be subject to annual limitations, lack of future taxable income, or future ownership changes that could result in the expiration of the carryforwards before they are utilized. If the Company determines in the future that it will be able to realize all or a portion of its net operating loss carryforwards, an adjustment to the Company's net operating loss carryforwards would increase net income in the period in which the Company makes such a determination.

Utilization of the net operating loss and tax credits carryforwards may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitation may result in the expiration of net operating loss and tax credit carryforwards before utilization.

The following table summarizes activity related to the Company's gross unrecognized tax benefits (in thousands):

| | Total |
|---|---|
| Balance as of December 31, 2011 | 1,711 |
| Increases related to 2012 tax positions | 36 |
| Balance as of September 30, 2013 and December 31, 2012 | $1,747 |

The unrecognized tax benefits, if recognized, would not have an impact on the Company's effective tax rate. The Company does not expect a significant change to its unrecognized tax benefits over the next twelve months. The unrecognized tax benefits may increase or change during the next year for items that arise in the ordinary course of business.

The Company files income tax returns in the U.S. federal and California jurisdiction and is not currently under examination by federal, state, or local taxing authorities for any open tax years. The tax years 1998 through 2012 remain open to examination by the major taxing authorities.

**13. Related-Party Transactions**

The Company paid a former member of its Board of Directors, who is also a member of its Scientific and Clinical Advisory Boards, a total of $60,000 in the year ended December 31, 2012 and $35,000 for the nine months ended September 30, 2013, in monthly cash retainers. The Company also issued options to purchase shares of common stock to this individual in his capacity as a member of its Scientific Advisory Board (Note 11).

### 14. Subsequent Events

#### Additional Financing

On October 31, 2013, the Company sold additional shares of common stock and warrants to purchase shares of the Company’s common stock in a second closing of the 2013 financing for gross proceeds of $3.3 million, resulting in net proceeds of $2.9 million after deducting placement agent fees and offering expenses.

Further, on November 22, 2013, the Company entered into an agreement with investors to purchase shares of its common stock and warrants to purchase shares of its common stock as part of the 2013 financing for aggregate gross proceeds of $3.0 million, which sales will occur shortly after listing of the Company’s common stock on the over-the-counter market

#### Stock Option Grants

207,724 and 62,430 shares of common stock options were granted to the CEO and CSO, respectively, exercisable at $5.00 per share and vesting over a four-year period, with one-third (1/3) of the shares vested on October 31, 2013, and the remaining 2/3 of the shares vesting ratably, on a monthly basis, over the following forty-eight (48) months. In addition, 51,420 shares of common stock options exercisable at $5.00 per share with an early exercise date were granted to members of the Board of Directors as compensation.

#### Lease Agreement

On November 8, 2013, CymaBay entered into a new lease starting January 1, 2014, and expiring in December 31, 2018, for 8,894 square feet of office space in Newark, CA. The Company’s lease obligations under this new lease are approximately $1.7 million.

**SIGNATURES**

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

CYMABAY THERAPEUTICS, INC.

By: /s/ Harold Van Wart
Harold Van Wart
Chief Executive Officer
(Principal Executive Officer)

Date: December 16, 2013

By: /s/ Sujal Shah
Sujal Shah
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: December 16, 2013

Table of Contents

## INDEX TO EXHIBITS

| Exhibit Number | Description of Document |
|---|---|
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13-a-14(a) or Rule 15(d)-14(a) of the Exchange Act |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act |
| 32.1 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 13a-14(b) or 15d-14(b) of the Exchange Act |
| 101.INS | XBRL Instance Document* |
| 101.SCH | XBRL Taxonomy Schema Linkbase Document* |
| 101.CAL | XBRL Taxonomy Calculation Linkbase Document* |
| 101.DEF | XBRL Taxonomy Definition Linkbase Document* |
| 101.LAB | XBRL Taxonomy Labels Linkbase Document* |
| 101.PRE | XBRL Taxonomy Presentation Linkbase Document* |

* Furnished with this Amendment No. 1.

**Exhibit 31.1**

**CERTIFICATIONS**

I, Harold Van Wart, certify that:

1. I have reviewed this Form 10-Q/A CymaBay Therapeutics, Inc.;

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

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

Date: December 16, 2013

/s/ Harold Van Wart
Harold Van Wart
Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATIONS**

I, Sujal Shah, certify that:

1. I have reviewed this Form 10-Q/A CymaBay Therapeutics, Inc.;

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

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

Date: December 16, 2013

/s/ Sujal Shah
Sujal Shah
Chief Financial Officer

**Exhibit 32.1**

## CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Harold Van Wart, Chief Executive Officer of CymaBay Therapeutics, Inc. (the "Company"), and Sujal Shah, Acting Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q/A for the period ended September 30, 2013, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act, and

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

In Witness Whereof, the undersigned have set their hands hereto as of December 16, 2013.

| | |
|---|---|
| /s/ Harold Van Wart | /s/ Sujal Shah |
| Harold Van Wart | Sujal Shah |
| Chief Executive Officer | Chief Financial Officer |

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of CymaBay Therapeutics, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.