2. Summary of Significant Accounting Principles

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and include all adjustments, which comprise only normal and recurring adjustments, necessary for the fair presentation of the Company's consolidated financial position for the periods presented.

The accompanying consolidated financial statements include the accounts of Aegerion Pharmaceuticals, Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The Company operates in one segment, pharmaceuticals.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates in these consolidated financial statements have been made in connection with the calculation of net product sales, inventories, certain accruals related to contingencies and the Company's research and development expenses, stock-based compensation, initial valuation of the issuance of convertible notes, valuation procedures for the fair value of intangible assets, tangible assets and goodwill from the acquisition of MYALEPT, useful lives of acquired intangibles and the provision for or benefit from income taxes. Actual results could differ from those estimates. Changes in estimates are reflected in reported results in the period in which they become known.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid instruments purchased with an original maturity of three months or less at the date of purchase. As of December 31, 2015 and December 31, 2014, the Company held $64.5 million and $375.9 million in cash and cash equivalents, respectively, consisting of cash and money market funds.

Restricted Cash

On October 30, 2015, the Company notified Silicon Valley Bank that it had breached one or more covenants under the Loan and Security Agreement and it is currently in default. On November 9, 2015, the Company and Silicon Valley Bank entered into a Forbearance Agreement (the "Forbearance Agreement"), pursuant to which Silicon Valley Bank has agreed not to take any action as a result of such default, including an agreement to waive the increase in the per annum interest rate under the loan from 3.0% to 8.0% until December 7, 2015, subject to certain conditions, including the deposit of cash into one or more accounts at Silicon Valley Bank to collateralize balances related to the outstanding obligations due to Silicon Valley Bank. These amounts are restricted for all uses until the full and final payment of all obligations, as determined by Silicon Valley Bank in its sole and exclusive discretion. On December 7, 2015, the Company and Silicon Valley Bank entered into an amendment (the "First Amendment") to the Forbearance Agreement, pursuant to which Silicon Valley Bank has agreed to extend the forbearance period relating to the Company's default under the Loan and Security Agreement through January 7, 2016. On January 7, 2016, the Company and Silicon Valley Bank entered into a second amendment (the "Second Amendment") to the Forbearance Agreement, as amended, pursuant to which Silicon Valley Bank has agreed to extend the forbearance period relating to the Company's default under the Loan and Security Agreement through June 30, 2016. Pursuant to the terms of the Second Amendment, the Company and Silicon Valley Bank agreed to terminate the Revolving

Line. On February 26, 2016, the Company and Silicon Valley Bank entered into a third amendment (the "Third Amendment") to the Forbearance Agreement, as amended, pursuant to which Silicon Valley Bank has agreed to forbear exercising its rights that will arise under the Loan and Security Agreement as a result of the Company's failure to deliver an unqualified opinion (without a going concern explanatory paragraph) of its independent auditors with its annual financial statements for the fiscal year ended December 31, 2015. Amounts deposited with Silicon Valley Bank to collateralize balances related to outstanding obligations under the Loan and Security Agreement have been presented as restricted cash as of December 31, 2015 on the consolidated balance sheet. See Note 10 for further discussion.

Inventories and Cost of Product Sales

Inventories are stated at the lower of cost or market price with cost determined on a first-in, first-out basis. Inventories are reviewed periodically to identify slow-moving or obsolete inventory based on sales activity, both projected and historical, as well as product shelf-life. In evaluating the recoverability of inventories produced, the Company considers the probability that revenue will be obtained from the future sale of the related inventory. The Company writes down inventory quantities in excess of expected requirements. Expired inventory is disposed of and the related costs are recognized as cost of product sales in the consolidated statement of operations.

Cost of product sales includes the cost of inventory sold, manufacturing and supply chain costs, product shipping and handling costs, charges for excess and obsolete inventory, amortization of acquired intangibles, as well as royalties payable to The Trustees of the University of Pennsylvania ("UPenn") related to the sale of lomitapide and royalties payable to Amgen, Rockefeller University and Bristol-Myers Squibb ("BMS") related to the sale of metreleptin.

Prepaid Manufacturing Costs

Cash advances paid by the Company prior to receipt of the inventory are recorded as prepaid manufacturing costs. The cash advances are subject to forfeiture if the Company terminates the scheduled production. The Company expects the carrying value of the prepaid manufacturing costs to be fully realized.

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets as presented in the table below. Maintenance and repair costs are charged to expense as incurred.

Computer and office equipment	3 - 5 years
Office furniture and equipment	3 -7 years
Leasehold improvements	Shorter of asset's useful life or remaining term of lease

Deferred Financing Costs

Deferred financing costs include costs directly attributable to the Company's offerings of its equity securities and its debt financings. Costs attributable to equity offerings are charged against the proceeds of the offering once completed. Costs attributable to debt financings are deferred and recorded as a reduction of the reported debt balance, and amortized over the term of the financing using the effective interest rate method. A portion of the deferred financing costs incurred in connection with the Company's convertible notes was deemed to relate to the equity component and was allocated to additional paid in capital.

Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. In the event that such cash flows are not expected to be sufficient to recover the carrying amount of the assets, the assets are written down to their estimated fair values. Long-lived assets to be disposed are reported at the lower of the carrying amount or fair value less cost to sell.

Revenue Recognition

The Company applies the revenue recognition guidance in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic 605-15, Revenue Recognition—Products. The Company recognizes revenue from product sales when there is persuasive evidence that an arrangement exists, title to product and associated risk of loss has passed to the customer, the price is fixed or determinable, collectability is reasonably assured and the Company has no further performance obligations.

Lomitapide

In the U.S., JUXTAPID is only available for distribution through a specialty pharmacy, and is shipped directly to the patient. JUXTAPID is not available in retail pharmacies. Prior authorization and confirmation of coverage level by the patient's private insurance plan or government payer are currently prerequisites to the shipment of product to a patient in the U.S. Revenue from sales in the U.S. covered by the patient's private insurance plan or government payer is recognized once the product has been received by the patient. For uninsured amounts billed directly to the patient, revenue is recognized at the time of cash receipt as collectability is not reasonably assured at the time the product is received by the patient. To the extent amounts are billed in advance of delivery to the patient, the Company defers revenue until the product has been received by the patient.

The Company also records revenue on sales in Brazil and other countries where lomitapide is available on a named patient basis, and typically paid for by a government authority or institution. In many cases, these sales are facilitated through a third-party distributor that takes title to the product upon acceptance. Because of factors such as the pricing of lomitapide, the limited number of patients, the short period from product sale to delivery to the end-customer and the limited contractual return rights, these distributors typically only hold inventory to supply specific orders for the product. The Company generally recognizes revenue for sales under these named patient programs once the product is shipped through to the government authority or institution. In the event the payer's creditworthiness has not been established, the Company recognizes revenue on a cash basis if all other revenue recognition criteria have been met.

The Company records distribution and other fees paid to its distributors as a reduction of revenue, unless the Company receives an identifiable and separate benefit for the consideration and the Company can reasonably estimate the fair value of the benefit received. If both conditions are met, the Company records the consideration paid to the distributor as an operating expense. At this time, neither condition has been met and therefore, the fees paid to the Company's distributors are recorded as a reduction to revenue. The Company records revenue net of estimated discounts and rebates, including those provided to Medicare, Medicaid, Tricare and other government programs in the U.S. and other countries. Allowances are recorded as a reduction of revenue at the time revenues from product sales are recognized. Allowances for government rebates and discounts are established based on the actual payer information, which is reasonably estimable at the time of delivery. These allowances are adjusted to reflect known changes in the factors that may impact such allowances in the quarter those changes are known.

The Company also provides financial support to a 501(c)(3) organization, which assists patients in the U.S. in accessing treatment for HoFH. This organization assists HoFH patients according to eligibility criteria defined independently by the organization. The Company records donations made to the 501(c)(3) organization as selling, general and administrative expense. Any payments received from the 501(c)(3) organization on behalf of a patient, who is taking lomitapide for the treatment of HoFH are recorded as a reduction of selling, general and administrative expense rather than as revenue. Effective January 2015, the Company also offers a branded co-pay assistance program for certain patients in the U.S. with HoFH who are on JUXTAPID therapy. The branded co-pay assistance program assists commercially insured patients who have coverage for JUXTAPID, and is intended to reduce each participating patient's portion of the financial responsibility for JUXTAPID's purchase price up to a specified dollar amount of assistance. The Company records revenue net of amounts paid under the branded specific co-pay assistance program for each patient.

Metreleptin

In the U.S., MYALEPT is only available through an exclusive third-party distributor that takes title to the product upon shipment. MYALEPT is not available in retail pharmacies. The

distributor may only contractually acquire up to 21 business days worth of inventory. The Company recognizes revenue for these sales once the product is received by the patient as it is currently unable to reasonably estimate the rebates owed to certain government payers at the time of receipt by the distributor. Prior authorization and confirmation of coverage level by the patient's private insurance plan or government payer are currently prerequisites to the shipment of product to a patient in the U.S.

The Company records distribution and other fees paid to its distributor as a reduction of revenue, unless the Company receives an identifiable and separate benefit for the consideration and the Company can reasonably estimate the fair value of the benefit received. If both conditions are met, the Company records the consideration paid to the distributor as an operating expense. At this time, neither condition has been met and therefore, these fees paid to the

distributor of MYALEPT are recorded as reduction to revenue. The Company records revenue from sales of MYALEPT net of estimated discounts and rebates, including those provided to Medicare and Medicaid in the U.S. Allowances for government rebates and discounts are established based on the actual payer information, which is reasonably estimable at the time of delivery. These allowances are adjusted to reflect known changes in the factors that may impact such allowances in the quarter those changes are known.

The Company also offers co-pay assistance for patients in the U.S. with GL who are on MYALEPT therapy. The co-pay assistance program assists commercially insured patients who have coverage for MYALEPT, and is intended to reduce each participating patient's portion of the financial responsibility for MYALEPT's purchase price up to a specified dollar amount of assistance. The Company records revenue net of amounts paid under the MYALEPT co-pay assistance program for each patient.

Business Combinations

The Company evaluates acquisitions of assets and other similar transactions to assess whether or not each such transaction should be accounted for as a business combination by assessing whether or not the Company has acquired inputs and processes that have the ability to create outputs. If the Company determines that an acquisition qualifies as a business, the Company assigns the value of consideration transferred in such business combination to the appropriate accounts on the Company's consolidated balance sheet based on their fair value as of the effective date of the transaction. Transaction costs associated with business combinations are expensed as incurred.

Fair Value of Purchased Tangible Assets, Intangibles and In-process Research and Development Assets in Business Combinations

The present-value models used to estimate the fair values of purchased tangible assets, intangibles and in-process research and development assets incorporate significant assumptions, include, but are not limited to: assumptions regarding the probability of obtaining marketing approval and/or achieving relevant development milestones for a drug candidate; estimates regarding the timing of and the expected costs to develop a drug candidate; estimates of future cash flows from potential product sales; and the appropriate discount and tax rates.

The Company records the fair value of purchased intangible assets with definite useful lives as of the transaction date of a business combination. Purchased intangible assets with definite useful lives are amortized to their estimated residual values over their estimated useful lives and reviewed for impairment if certain events occur. Impairment testing and assessments of remaining useful lives are also performed when a triggering event occurs that could indicate a potential impairment. Such test first entails comparison of the carrying value of the intangible asset to the undiscounted cash flows expected from that asset. If impairment is indicated by this test, the intangible asset is written down by the amount, if any, by which the discounted cash flows expected from the intangible asset exceeds its carrying value.

The Company records the fair value of in-process research and development assets as of the transaction date of a business combination. Each of these assets is accounted for as an indefinite-lived intangible asset and is maintained on the Company's consolidated balance sheet until either the project underlying it is completed or the asset becomes impaired. If the asset becomes impaired or is abandoned, the carrying value of the related intangible asset is written down to its fair value, and an impairment charge is recorded in the period in which the impairment occurs. If a project is completed, the carrying value of the related intangible asset is amortized as a part of cost of product revenues over the remaining estimated life of the asset beginning in the period in which the project is completed. In-process research and development assets are tested for impairment on an annual

basis as of October 31, and more frequently if indicators are present or changes in circumstances suggest that impairment may exist.

The Company records the fair value of purchased tangible assets as of the transaction date of a business combination. These tangible assets are accounted for as either inventory or clinical and compassionate use materials, which are classified as other assets on the Company's consolidated balance sheet. Inventory is maintained on the Company's consolidated balance sheet until the inventory is sold, donated as part of the Company's compassionate use program, used for clinical development, or determined to be in excess of expected requirements. Inventory that is sold or determined to be in excess of expected requirements is recognized as cost of product sales in the consolidated statement of operations, inventory that is donated as part of the Company's compassionate use program is recognized as a selling,

general and administrative expense in the consolidated statement of operations, and inventory used for clinical development is recognized as research and development expense in the consolidated statement of operations. Other assets are maintained on the Company's consolidated balance sheet until these assets are consumed. If the asset becomes impaired or is abandoned, the carrying value is written down to its fair value, and an impairment charge is recorded in the period in which the impairment occurs.

Goodwill

The difference between the purchase price and the fair value of assets acquired and liabilities assumed in a business combination is allocated to goodwill. Goodwill is evaluated for impairment on an annual basis as of October 31, and more frequently if indicators are present or changes in circumstances suggest that impairment may exist.

Concentration of Credit Risk

The Company's financial instruments that are exposed to credit risks consist primarily of cash, cash equivalents, restricted cash and accounts receivable. The Company maintains its cash, cash equivalents and restricted cash in bank accounts, which, at times, exceed federally insured limits. The Company has not experienced any credit losses in these accounts and does not believe it is exposed to any significant credit risk on these funds.

The Company is subject to credit risk from its accounts receivable related to its product sales of lomitapide and metreleptin. The majority of the Company's accounts receivable arises from product sales in the U.S. For accounts receivable that have arisen from named patient sales outside of the U.S., the payment terms are predetermined and the Company evaluates the creditworthiness of each customer or distributor on a regular basis. The Company periodically assesses the financial strength of the holders of its accounts receivable to establish allowances for anticipated losses, if necessary. The Company does not recognize revenue for uninsured amounts billed directly to a patient until the time of cash receipt as collectability is not reasonably assured at the time the product is received. To date, the Company has not incurred any credit losses.

Research and Development Expenses

Research and development expenses are charged to expense as incurred. Research and development expenses comprise costs incurred in performing research and development activities, including personnel-related costs, stock-based compensation, facilities-related overhead, clinical trial costs, costs to support certain medical affairs activities, manufacturing costs for clinical and pre-clinical materials as well as other contracted services, license fees, and other external costs. Nonrefundable advance payments for goods and services that will be used in future research and development activities are expensed when the activity has been performed or when the goods have been received rather than when the payment is made in accordance with the provisions of ASC 730, *Research and Development*.

Income Taxes

The Company accounts for income taxes using an asset and liability approach in accordance with applicable guidance prescribed by ASC 740, *Income Taxes*. ASC 740 requires that the deferred tax consequences of temporary differences between the amounts recorded in the Company's consolidated financial statements and the amounts included in the Company's federal, state and foreign income tax returns to be recognized in the balance sheet. As the Company's income tax returns are not due and filed until after the completion of the Company's annual financial reporting requirements, the amounts recorded for the current period reflect estimates for the tax-based activity for the period. In addition, estimates are often required with respect to, among other things, the appropriate state income tax rates to use in the various states that we and

our subsidiaries are required to file, the potential utilization of operating loss carry-forwards and valuation allowances required, if any, for tax assets that may not be realizable in the future.

The Company makes judgments regarding the realizability of its deferred tax assets. The balance sheet carrying value of its deferred tax assets is based on whether the Company believes it is more likely than not that the Company will generate sufficient future taxable income to realize these deferred tax assets after consideration of all available evidence. The Company regularly reviews its deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies.

In assessing the need for a valuation allowance, the Company considers both positive and negative evidence related to the likelihood of realization of the deferred tax assets. The weight given to the positive and negative evidence is commensurate with the extent to which the evidence may be objectively verified. As such, it is generally difficult for positive evidence regarding projected future taxable income exclusive of reversing taxable temporary differences to outweigh objective negative evidence of recent financial reporting losses. Generally, cumulative loss in recent years is a significant piece of negative evidence that is difficult to overcome in determining that a valuation allowance is not needed.

The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740. When uncertain tax positions exist, the Company recognizes the tax benefit of tax positions to the extent that the benefit will more likely than not be realized. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances. As of December 31, 2015 and 2014, the Company does not have any uncertain tax positions.

Stock-Based Compensation

The Company accounts for its stock-based compensation to employees in accordance with ASC 718, *Compensation-Stock Compensation* and to non-employees in accordance with ASC 505-50, *Equity Based Payments to Non-Employees.* For service-based awards, compensation expense is recognized using the ratable method over the requisite service period, which is typically the vesting period. For awards that vest or begin vesting upon achievement of a performance condition, the Company recognizes compensation expense when achievement of the performance condition is deemed probable using an accelerated attribution model over the implicit service period. Certain of the Company's awards that contain performance conditions also require the Company to estimate the number of awards that will vest, which the Company estimates when the performance condition is deemed probable of achievement. For awards that vest upon the achievement of a market condition, the Company recognizes compensation expense over the derived service period. For equity awards that have previously been modified, any incremental increase in the fair value over the original award has been recorded as compensation expense on the date of the modification for vested awards or over the remaining service period for unvested awards. See Note 13 for further information about the Company's stock option plans.

Comprehensive Loss

Comprehensive loss combines net loss and other comprehensive items. Other comprehensive items represent certain amounts that are reported as components of stockholders' equity in the accompanying consolidated balance sheet, including currency translation adjustments and unrealized gains and losses on available-for-sale investments.

Segment Information

The Company currently operates in one business segment focusing on the development and commercialization of its lead products. The Company is not organized by market and is managed and operated as one business. A single management team reports to the chief operating decision maker who comprehensively manages the entire business. The Company does not operate any separate lines of business or separate business entities with respect to its products. Accordingly, the Company does not accumulate discrete financial information with respect to separate service lines and does not have separately reportable segments. The Company's long-lived assets in regions other than the United States are immaterial.

Revenues by Geographic Location

The following table summarizes total net product sales from external customers by geographic region. Net product sales are attributed to countries based on the location of the customer.

	2015	2014	2013
		(in thousands)	
United States	$214,590	$143,354	$42,290
Brazil	14,998	11,089	6,019
Other foreign countries	10,299	3,930	237
Total net product sales	$239,887	$158,373	$48,546

Net product sales generated from customers outside of the U.S. and Brazil were primarily derived from named-patient sales in Colombia, Canada and Italy.

Significant Customers

For the year ended December 31, 2015, one customer accounted for 11% of the Company's net product sales, and this one customer accounted for 17% of the Company's accounts receivable balance. For the year ended December 31, 2014, no individual customers accounted for 10% of the Company's net product sales. However, one customer accounted for 12% of the Company's accounts receivable balance.

Property and Equipment, Net by Location

The following table summarizes property and equipment, net by location:

	As of December 31,	
	2015	2014
	(in thousands)	
United States	$4,761	$4,610
Outside of the United States	132	101
Total property and equipment, net	$4,893	$4,711

Recent Accounting Pronouncements- Not Yet Adopted

In May 2014, the FASB issued a comprehensive Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which amends revenue recognition principles and provides a single set of criteria for revenue recognition among all industries. The new standard provides a five step framework whereby revenue is recognized when promised goods or services are transferred to a customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires enhanced disclosures pertaining to revenue recognition in both interim and annual periods. The standard is effective for interim and annual periods beginning after December 15, 2016 and allows for adoption using a full retrospective method, or a modified retrospective method. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 by one year, but permits entities to adopt one year earlier if they choose (i.e., the original effective date). As such, ASU 2014-09 will be effective for interim and annual reporting periods ending after December 15, 2017. The Company is currently assessing the method of adoption and the expected impact the new standard has on its financial position and results of operations.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements-*

Going Concern, which provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern within one year from the date the financial statements are issued for each reporting period. This new accounting guidance is effective for interim and annual periods ending after December 15, 2016. Early adoption is permitted. The Company does not expect the new guidance to have a significant effect on its consolidated financial statements, but may require further disclosure in its financial statements once adopted.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. ASU 2015-11 requires that for entities that measure inventory using the first-in, first-out method, inventory should be measured at the lower of cost and net realizable value. ASU 2015-11 defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years, and early adoption is permitted. The Company is currently in the process of evaluating the impact of adoption of ASU No. 2015-11 on its consolidated financial statements and related disclosures.

In September 2015, the FASB issued ASU 2015-16*, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments.* ASU 2015-16 requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments are effective prospectively for the fiscal years, and interim reporting periods within those years, beginning on or after December 15, 2015, although early adoption is permitted for financial statements that have not been issued. The Company does not expect that the adoption of ASU 2015-16 will have a significant impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* ASU 2016-02 requires lessees to recognize lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. There continues to be a differentiation between finance leases and operating leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, and early adoption is permitted. The Company is currently in the process of evaluating the impact of adoption of ASU No. 2016-02 on its consolidated financial statements and related disclosures.

Recently Adopted Accounting Pronouncements

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs,* which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. ASU 2015-03 does not change the amortization of debt issuance costs, which continues to follow the existing accounting guidance. ASU 2015-03 is effective for interim and annual reporting periods beginning after December 15, 2015. Early application is permitted. The Company adopted ASU 2015-03 during the fourth quarter of 2015, and reclassified $4.2 million and $5.1 million of deferred financing costs from other assets to a reduction of the reported debt balance at December 31, 2015 and 2014, respectively.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, which simplifies the presentation of deferred income taxes. ASU 2015-17 requires that deferred tax assets and liabilities be classified as noncurrent in a classified statement of financial position. ASU 2015-17 is effective for financial statements issued for fiscal years beginning after December 15, 2016 (and interim periods within those fiscal years) with early adoption permitted. ASU 2015-17 may be either applied prospectively to all deferred tax assets and liabilities or retrospectively to all periods presented. The Company has elected to early adopt ASU 2015-17 prospectively in the fourth quarter of 2015. As a result, the Company has presented all deferred tax assets and liabilities as noncurrent on its consolidated balance sheet as of December 31, 2015, but has not reclassified current deferred tax assets and liabilities on its

consolidated balance sheet as of December 31, 2014. There was no impact on the Company's results of operations as a result of the adoption of ASU 2015-17.

3. Business Combinations

MYALEPT

The Company completed the acquisition of its second product, MYALEPT, on January 9, 2015. MYALEPT received marketing approval from the FDA in February 2014 as an adjunct to diet as replacement therapy to treat the complications of leptin deficiency in patients with congenital or acquired GL. The addition of MYALEPT added a complementary commercial platform to the Company's portfolio and transformed the Company into a multi-product specialty pharmaceutical company. The total consideration to be assigned to the net assets acquired for MYALEPT was $325.0 million, which the Company paid in cash on the acquisition date. Transaction expenses incurred were approximately $3.9 million, and were charged to selling, general and administrative expenses.

The transaction was accounted for as a business combination under the acquisition method of accounting. Accordingly, the assets acquired and liabilities assumed were recorded at fair value, with the remaining purchase price recorded as goodwill.

The Company has valued the acquired assets and liabilities based on their fair value. The fair values included in the balance sheet as of December 31, 2015 are based on the best estimates of management. At December 31, 2015 the allocation of the purchase price has been finalized, including the estimated useful lives and related amortization of acquired assets.

The following table summarizes the values of the net assets acquired (in thousands):

	January 9, 2015
Inventory	$ 52,676
Purchased intangibles	242,200
In-process research and development assets	20,900
Other assets	4,624
Goodwill	9,600
Total assets acquired	330,000
Other liabilities assumed	(5,000)
Total net assets acquired	$ 325,000

The purchased intangibles represent the acquired product rights to MYALEPT. The fair value of these purchased product rights is being amortized to cost of product sales on a straight-line basis over the estimated useful life set forth below and tested for impairment whenever events or circumstances indicate that the carrying amount may not be recovered. Annual amortization of approximately $20.2 million was expensed in 2015 and is expected for each year thereafter of the remaining estimated useful life of 12 years. The other assets represent the clinical and compassionate use materials acquired as part of the transaction and are classified on the Company's consolidated balance sheet based on the Company's forecast of the usage of the materials. The other liabilities assumed represent a one-time $5.0 million milestone payment to Rockefeller University due twelve months following the receipt of marketing approval for MYALEPT in the U.S.

During 2015, the Company finalized the fair values assigned to the assets acquired and liabilities assumed as of the acquisition date and recorded measurement period adjustments consisting of a $16.1 million increase to the fair value of inventory acquired, a $9.1 million decrease in the fair value of purchased intangibles, a $4.7 million decrease in the fair value of other assets acquired and a $0.6 million increase in the fair value of in-process research and development assets. These measurement period adjustments have been reflected as current period adjustments during the year ended December 31, 2015.

The following is a summary of the fair values assigned to the assets acquired and the amortization period assigned to these rights (in thousands):

	December 31, 2015	
	Gross Fair Value	Estimated Useful Life
Generalized Lipodystrophy-United States	$242,200	12
In-process research and development assets (1)	20,900	-
	263,100	
Less accumulated amortization	(20,183)	
Intangible assets, net	$242,917	

(1)The in-process research and development assets include: partial lipodystrophy-U.S., GL and partial lipodystrophy-EU. These in-process research and development assets have been assigned indefinite lives and therefore will be tested for impairment annually on October 31 or in the event a triggering event presents itself.

The difference between the total consideration and the fair value of the net assets acquired of $315.4 million was recorded to goodwill in the consolidated balance sheet. Goodwill represents the excess of the purchase price over the fair value of the tangible and identifiable intangible assets acquired and liabilities assumed, principally representing certain operational synergies. The majority of the acquired intangibles and goodwill are expected to be deductible for tax purposes. As a result of the measurement period adjustments described above, goodwill decreased from $12.5 million as of March 31, 2015 to $9.6 million as of December 31, 2015.

In accordance with the relevant accounting guidance, goodwill is not amortized. However, it must be assessed for impairment using fair value measurement techniques on an annual basis or more frequently if facts and circumstances warrant such a review. All goodwill has been assigned to the Company's single reporting unit, which is the single operating segment by which the chief operating decision maker manages the Company. For purposes of assessing the impairment of goodwill, the Company uses its market capitalization as an input to its determination of fair value. If the carrying amount of the net assets of the Company exceeds the fair value, then a goodwill impairment test is performed to measure the amount of the impairment loss, if any. Although there have been no indicators of impairment to date with respect to the Company's goodwill and long-lived intangible assets, the Company may need to assess these assets for impairment in the future based on the outcome of the ongoing investigations of the SEC and Department of Justice (Note 9), which could have a material adverse effect on the Company's business.

Pro forma impact of the acquisition (Unaudited)

The Company's financial results for the year ended December 31, 2015 are inclusive of MYALEPT financial results since the date of the acquisition on January 9, 2015, which included revenues from net product sales of MYALEPT of approximately $26.9 million. The unaudited pro forma results presented below include the effects of the MYALEPT acquisition as if it had been consummated as of January 1, 2014. The pro forma results include the direct expenses of MYALEPT as well as amortization associated with the estimated fair value of the acquired intangible assets. In addition, the pro forma results do not include any anticipated synergies or other expected benefits of the acquisition. Accordingly, the unaudited pro forma financial information below is not necessarily indicative of either future results of operations or results that might have been achieved had the acquisition been consummated as of January 1, 2014.

	Year Ended December 31, 2014
	(in thousands)

Total net product sales	$	161,750
Net loss		(71,900)

4. Property and Equipment

Property and equipment consists of the following:

	December 31,	
	2015	2014
	(in thousands)	
Computer and office equipment	$ 5,256	$ 3,559
Leasehold improvements	2,272	2,158
Office furniture and equipment	990	958
	8,518	6,675
Less accumulated depreciation and amortization	(3,625)	(1,964)
Property and equipment, net	$ 4,893	$ 4,711

Depreciation expense was $1.8 million, $1.2 million and $0.5 million for the years ended December 31, 2015, 2014 and 2013, respectively.

5. Inventories

The components of inventory are as follows:

	December 31,	
	2015	2014
	(in thousands)	
Work-in-process	$ 4,179	$6,458
Finished goods	54,527	3,052
Total	$58,706	$9,510

The significant increase in the inventory balance as of December 31, 2015 is related to the fair value of metreleptin inventory from the acquisition of MYALEPT, as described in Note 3. During the years ended December 31, 2015, 2014 and 2013, the Company recorded charges in the consolidated statement of operations for excess and obsolete inventory of $2.5 million, $1.5 million and $0.2 million, respectively.

6. Fair Value of Financial Instruments

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. ASC 820, *Fair Value Measurements and Disclosures* established a fair value hierarchy for those instruments measured at fair value that distinguishes between fair value measurements based on market data (observable inputs) and those based on the Company's own assumptions (unobservable inputs). This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. The three levels of inputs used to measure fair value are 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. The Company's Level 1 assets consist of cash and money market investments.
- *Level 2*—Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly. The Company's Level 2 assets consist of corporate debt securities and commercial paper.
- *Level 3*—Inputs that are unobservable for the asset or liability.

The fair value measurements of the Company's financial instruments at December 31, 2015 are summarized in the table below:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2015
		(in thousands)		
Assets:				
Cash	$ 14,021	$ -	$ -	$ 14,021
Money market funds	50,480	-	-	50,480
Restricted cash	25,529	-	-	25,529
Total assets	$ 90,030	$ -	$ -	$ 90,030

The fair value measurements of the Company's financial instruments at December 31, 2014 are summarized in the table below:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2014
		(in thousands)		
Assets:				
Cash	$ 28,523	$ -	$ -	$ 28,523
Money market funds	347,414	-	-	347,414
Total assets	$ 375,937	$ -	$ -	$ 375,937

Term Loan

The fair value of the Company's long-term debt in default and long-term debt, computed pursuant to a discounted cash flow technique using the effective interest rate method based on a current market interest rate for the Company's term loan, was $25.0 million and $4.0 million at December 31, 2015 and 2014, respectively.

Convertible 2.0% Senior Notes

In August 2014, the Company issued $325.0 million of 2.0% convertible senior notes due August 15, 2019 (the "Convertible Notes"). Interest is payable semi-annually in arrears on February 15 and August 15 of each year, beginning on February 15, 2015. The Company separately accounted for the liability and equity components of the Convertible Notes by allocating the proceeds between the liability component and equity component, as further discussed in Note 10. The fair value of the Convertible Notes, which differs from their carrying values, is influenced by interest rates, the Company's stock price and stock price volatility and is determined by prices for the Convertible Notes observed in market trading which are Level 2 inputs. The estimated fair value of the Convertible Notes at December 31, 2015 was $215.2 million.

7. Other Comprehensive Income (Loss)

Other comprehensive income (loss) includes changes in equity that are excluded from net loss, such as unrealized gains and losses on marketable securities and foreign currency translation adjustments.

The following table summarizes other comprehensive income (loss) and the changes in accumulated other comprehensive items, net of tax, by component, for the years ended December 31, 2015 and 2014:

	Unrealized Gains/(Losses) on Marketable Securities	Foreign Currency Translation Adjustment	Total Accumulated Other Comprehensive Items
		(in thousands)	
Balance at December 31, 2014	$ -	$ (263)	$ (263)
Other comprehensive income	-	415	415
Balance at December 31, 2015	$ -	$ 152	$ 152

	Unrealized Gains/(Losses) on Marketable Securities	Foreign Currency Translation Adjustment	Total Accumulated Other Comprehensive Items
		(in thousands)	
Balance at December 31, 2013	$ 35	$ (7)	$ 28
Other comprehensive loss	(35)	(256)	(291)
Balance at December 31, 2014	$ -	$ (263)	$ (263)

8. Accrued Liabilities

Accrued liabilities consist of the following:

	December 31,	
	2015	2014
	(in thousands)	
Accrued employee compensation and related costs	$ 10,315	$ 7,177
Accrued litigation settlement (Note 9)	12,000	-
Accrued professional fees	3,206	3,414
Accrued sales allowances	10,837	3,411
Accrued royalties	4,137	2,942
Accrued research and development costs	1,561	2,280
Accrued sales and marketing costs	490	682
Accrued interest	2,502	2,461
Accrued manufacturing costs	1,224	809
Other accrued liabilities	4,831	3,472
Total	$ 51,103	$26,648

9. Commitments & Contingencies

Leases

The Company leased certain office facilities and office equipment under operating leases during the year ended December 31, 2015. The future minimum payments net of non-cancelable sublease payments for all non-cancelable operating leases as of December 31, 2015 are as follows (in thousands):

	Lease Commitments	Sublease Income	Obligations, Net of Sublease Payments
Year Ending December 31:			
2016	$ 4,803	$ (135)	$ 4,668
2017	4,165	(139)	4,026
2018	4,217	(82)	4,135
2019	1,380	-	1,380
Thereafter	-	-	-
Total	$ 14,565	$ (356)	$ 14,209

Rent expense under operating leases was approximately $4.6 million, $3.2 million and $1.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

On November 24, 2010, the Company entered into a lease for office space in Bedminster, New Jersey. The lease provided for an initial base rent of $12,000 per month plus certain operating expenses and taxes beginning on April 1, 2011, and increased on an annual basis beginning in April 2012. As discussed in Note 17, the Company has closed this facility and, in January 2012, entered into an agreement to sublease this facility.

Effective January 1, 2011, the Company entered into a five year lease for office space for its headquarters in Cambridge, Massachusetts, with RREEF America REIT II Corp. PPP, ("RREEF") and amended this lease in November 2011. On September 24, 2012, the Company entered into a second amendment to lease additional square footage which provided for an increase in base rent beginning February 1, 2013. On June 28, 2013, the Company entered into a third amendment to lease additional square footage which provided for an increase in base rent beginning August 31, 2013. On January 9, 2014, the Company entered into its fourth lease amendment to lease additional square footage which provided for an escalation of rent payments of approximately $0.2 million a month resulting in an increase in base rent beginning in May 1, 2014, a tenant improvement allowance of approximately $0.8 million and as well as extend the expiration date for all of the space the Company leases from RREEF from August 31, 2017 to April 30, 2019. In addition to the base rent, the Company is responsible for its share of operating expenses and real estate taxes. In May 2014, the Company exercised an expansion option under the first amendment to lease additional square footage which provided for an increase in base rent beginning on April 1, 2015.

Other Commitments

University of Pennsylvania Licensing Agreements

In May 2006, the Company entered into a license agreement with The Trustees of the University of Pennsylvania, ("UPenn") pursuant to which it obtained an exclusive, worldwide license from UPenn to certain know-how and a range of patent rights applicable to lomitapide. In particular, the Company obtained a license to certain patent and patent applications owned by UPenn relating to the dosing of microsomal triglyceride transfer protein inhibitors, including lomitapide, and certain patents and patent applications and know-how covering the composition of matter of lomitapide that were assigned to UPenn by BMS in the field of monotherapy or in combination with other dyslipidemic therapies, which are therapies for the treatment of patients,

with abnormally high or low levels of plasma cholesterol or triglycerides.

The Company is obligated under this license agreement to use commercially reasonable efforts to develop, commercialize, market and sell at least one product covered by the licensed patent rights, such as lomitapide. Pursuant to this license agreement, the Company paid UPenn a one-time license initiation fee of $0.1 million, which was included in

research and development expense in 2005. The Company will be required to make development milestone payments to UPenn of up to $0.2 million when a licensed product's indication is limited to HoFH or severe refractory hypercholesterolemia, and an aggregate of $2.6 million for all other indications within the licensed field. All such development milestone payments for these other indications are payable only once, no matter how many licensed products for these other indications are developed. The Company has not initiated plans to develop lomitapide for indications within the licensed field other than HoFH. In March 2012, the Company filed a new drug application ("NDA") for lomitapide as a treatment for HoFH, and paid UPenn a $0.1 million milestone payment under the license agreement. In December 2012, the Company received marketing approval for lomitapide in the U.S. as a treatment for HoFH and the Company paid the remaining related milestone amount, $0.1 million, in January 2013. Fifty percent of these milestone payments were used to offset future royalties paid on the sale of JUXTAPID during 2013.

In addition, the Company will be required to make specified royalty payments on net sales of products, at a range of royalty rates in the high single digits on net sales of lomitapide in countries where lomitapide has patent protection, and of any other products covered by the license (subject to a variety of customary reductions), and share with UPenn specified percentages of sublicensing royalties and certain other consideration that the Company receives under any sublicenses that the Company may grant. In the years ended December 31, 2015 and 2014, the Company made $10.2 million and $5.7 million, respectively, in royalty payments to UPenn. Additionally, the Company accrued an additional $2.6 million in royalties to UPenn as of December 31, 2015.

This license agreement will remain in effect on a country-by-country basis until the expiration of the last-to-expire licensed patent right in the applicable country. The Company has the right to terminate this license agreement for UPenn's uncured material breach of the license agreement or for convenience upon 60 days' prior written notice to UPenn, subject to certain specific conditions and consequences. UPenn may terminate this license agreement for the Company's uncured material breach of the license agreement, its uncured failure to make payments to UPenn or if the Company is the subject of specified bankruptcy or liquidation events.

Amgen Licensing Agreements

In connection with our acquisition of MYALEPT in January 2015, we acquired a license agreement between Amgen Inc. ("Amgen") and Amylin Pharmaceuticals, Inc., dated February 7, 2006 (the "Amgen License") pursuant to which we obtained an exclusive worldwide license from Amgen to certain know-how and patents and patent applications covering the composition of matter and methods of use of metreleptin to develop, manufacture and commercialize a preparation containing metreleptin (the "Amgen Licensed Products").

As part of the Amgen License, we also obtained an exclusive sublicense of Amgen's exclusive rights to certain metreleptin-related patents and patent applications owned by the Rockefeller University and exclusively licensed to Amgen under a license agreement dated April 14, 1995, as amended (the "Rockefeller License") and an exclusive sublicense of Amgen's non-exclusive rights to certain metreleptin-related patents and patent applications owned by The Regents of the University of California and non-exclusively licensed to Amgen under a license agreement dated July 13, 2005 (the "UCSF License"). Amgen retains rights to conduct research, development, manufacturing and commercialization activities with respect to products other than the Amgen Licensed Products.

We may grant sublicenses under the licenses and sublicenses granted by Amgen, subject to certain limitations, including Amgen's right of first offer for any out-license, partnership, co-development, commercialization, co-promotion or similar agreement related to metreleptin or the Amgen Licensed Products, which expires in February 2021. Under this license agreement, Amgen must notify us of any potential third-party partnership regarding any intellectual property rights controlled by Amgen in the neurology field and we will have a right of first negotiation for any

license, partnership, co-development, commercialization, co-promotion or similar agreement, which expires in February 2021.

We are required to make royalty payments to Amgen, Rockefeller University and BMS on net sales of each Amgen Licensed Product on a country-by-country basis (i) at a royalty rate in the low double digits where the Amgen Licensed Product has patent protection or market exclusivity granted by a regulatory authority at the time of regulatory approval in the applicable country during the applicable royalty term, which runs on a country-by-country basis until the later of (a) the expiration of the last-to-expire valid claim covering an Amgen Licensed Product in the applicable country, (b) expiration of any market exclusivity granted by a regulatory authority, and (c) ten years from the date on

which an Amgen Licensed Product is first sold to a third-party in a country after regulatory approval for the Amgen Licensed Product has been granted in such country ("Amgen Royalty Term") or (ii) at a royalty rate in the mid-single digits to low double digits where the Amgen Licensed Product receives patent protection or market exclusivity following the time of regulatory approval in the applicable country, in either case subject to a variety of customary reductions.

Under the Amgen License, we are also required to directly meet certain payment obligations under the Rockefeller License and UCSF License. We are required to make royalty payments to Rockefeller University on net sales of each product with patent rights or know-how in the field of obesity genes, obesity gene products, and molecules that modulate or mediate their action and/or regulation on a country-by-country basis at a range of royalty rates in the low single digits depending on whether the product has an orphan product designation or not until the later to occur of expiration of (i) patent protection, (ii) any market exclusivity period granted in the applicable country, or (iii) any data exclusivity period in the applicable country (with certain limitations related to the number of units sold). Since acquiring this license agreement in January 2015, we have paid a one-time $5.0 million milestone payment to Rockefeller in February 2015, which was recognized as an acquired liability in connection with the acquisition of MYALEPT, and was due twelve months following the receipt of marketing approval for MYALEPT in the U.S. We will also be required to pay to Rockefeller University a percentage in the low double digits of any upfront license fees or one-time fees we receive in consideration for a sublicense of the licensed rights. There are no material payment obligations outstanding on the UCSF License.

In 2015, we paid $2.9 million in royalty payments related to sales of MYALEPT. We also accrued an additional $1.6 million in royalties payable as of December 31, 2015.

The Amgen License will terminate upon the expiration of the last Amgen Royalty Term for any Amgen Licensed Product. We have the right to terminate the Amgen License for convenience upon 90 days prior written notice to Amgen or for Amgen's uncured material breach of the Amgen License, or becoming subject to specified bankruptcy or liquidation events. Amgen may terminate the Amgen License for our uncured failure to make payments to Amgen or if we are the subject of specified bankruptcy or liquidation events.

Commercial Commitments

As part of the Company's post-approval regulatory commitments with the FDA, the Company had entered into a long-term contract with a clinical research organization. As of December 31, 2015, the Company has remaining total commitments of approximately $17.8 million. The amount reflects planned expenditures based on the existing contract and does not reflect any inflation, future modification to, or termination of, the existing contract or anticipated or potential new contract.

Contingencies

In late 2013, the Company received a subpoena from the U.S. Department of Justice ("Department of Justice"), represented by the U.S. Attorney's Office in Boston, requesting documents regarding the Company's marketing and sale of JUXTAPID in the U.S., as well as related disclosures. The Company believes the Department of Justice is seeking to determine whether it, or any of its current or former employees, violated civil and/or criminal laws, including but not limited to, the securities laws, the Federal False Claims Act, the Food and Drug Cosmetic Act, the Anti-Kickback Statute, and the Foreign Corrupt Practices Act. The investigation is continuing.

In late 2014, the Company received a subpoena from the Securities and Exchange Commission ("SEC") requesting certain information related to its sales activities and disclosures related to JUXTAPID. The SEC also has requested documents and information on a number of

other topics, including documents related to the investigations by government authorities in Brazil into whether the Company's activities in Brazil violated Brazilian anti-corruption laws, and whether the Company's activities in Brazil violated the U.S. Foreign Corrupt Practices Act. The Company believes the SEC is seeking to determine whether the Company, or any of its current or former employees, violated securities laws. The investigation is continuing.

The Company believes the SEC and the Department of Justice are coordinating with one another concerning their investigations. The Company has provided a broad range of information to the government in response to their requests,

including materials related to its past disclosure statements related to the prevalence of HoFH and other disclosures, its U.S. marketing and promotional practices, and its activities in Brazil. Although the Company is unable to determine how these investigations will be finally resolved, the Company believes that it is probable that it will face an enforcement action or enter into a settlement with the government related to these issues. Assuming the Company faces an enforcement action or enters into a settlement with the government, this will have material negative consequences for its business, financial position, results of operations and/or cash flows. Such an action or settlement may include a variety of potential resolutions, which could include some or all of the following: federal and/or state civil and/or administrative liabilities, federal criminal liability and/or significant fines and/or other penalties against the Company, or if a settlement is not reached, a criminal charge that could give rise to exclusion from government healthcare programs. The Company is in discussions with the government in an effort to resolve potential claims arising from these investigations. During the quarter ended December 31, 2015, the Company recorded a charge of $12 million, representing its current estimate of the minimum amount required to resolve these investigations, consistent with ASC 450. The ultimate resolution of these matters is subject to continued negotiations regarding a number of issues, including the amount of payment required to resolve the investigations, the amount of time the Company would have to satisfy its payment obligations, the criminal offenses that would be included in any resolution, changes to the Risk Evaluation and Mitigation Strategy ("REMS") program, as described elsewhere in this Form 10-K, and final approval within the relevant agencies. The current charge reflects an initial settlement offer the Company has made in connection with the investigations; the offer also contemplated that payment would be made over a multi-year period. This amount and the timing of the payment have not been agreed to by the government. The current charge does not represent an estimate of the final amount of any settlement and the amount could be higher and made over a shorter timeframe than its initial offer. There can be no assurance that the Company will reach a negotiated settlement of these matters, when such a settlement would occur, or what the final terms of any such settlement will be. Because discussions relating to the investigations are ongoing, the final outcome of these investigations is difficult to predict and the Company is not able to reasonably estimate the range of actual costs and amount of loss it would incur in resolving these matters or the timing or other terms of resolution. The Company cannot give any assurances that resolution of the investigations will not result in additional losses that significantly exceed the amount of the charge that has been recorded; any such additional losses could have a further material adverse effect on its business, results of operations, financial condition and liquidity.

The Company's activities outside the U.S. or those of its employees, licensees, distributors, manufacturers, clinical research organizations, or other third parties who act on its behalf or with whom the Company does business could subject it to investigation or prosecution under foreign or U.S. laws. For example, federal and São Paulo authorities in Brazil are each conducting an investigation to determine whether there have been any violations of Brazilian laws related to the sales of JUXTAPID in Brazil. The Ethics Council of the national pharmaceutical industry association, Interfarma, is also conducting an investigation to determine whether certain of the Company's activities involving MYALEPT and JUXTAPID in Brazil have violated the industry association's Code of Conduct, to which it is bound due to its affiliation with Interfarma, or any Brazilian laws relating to the promotion of pharmaceutical products. If the Company's activities in Brazil are found to violate any laws or any other governmental regulations, it may be subject to: significant civil and administrative penalties imposed by Brazilian regulatory authorities, damages and fines, suspension of its social rights before Interfarma, and/or exclusion of the its membership in Interfarma. Under certain circumstances, the Company could be barred from further named patient sales in Brazil for lomitapide and/or metreleptin due to penalties imposed by Brazilian regulatory authorities or through civil actions initiated by federal, state, or municipal public prosecutors. In addition, the Company believes the investigations in Brazil have contributed to a slower turn-around between price quotation and orders, including re-orders, from the federal

government, and, in some cases, delays in orders and re-orders from the government of São Paulo after a patient has obtained access to JUXTAPID through the judicial process. These delays may continue, and the Company may experience other delays or suspension of the ordering process. Similarly, the Company has faced, and may continue to face, a reluctance of physicians to prescribe JUXTAPID, and some patients to take or stay on JUXTAPID, while the investigations are ongoing, particularly given that the investigators in Brazil have recently made formal inquiries of certain prescribers of lomitapide and there has been local media coverage of such inquiries and its activities in Brazil. Recently, the Company has observed an increase in the drop-out rate of patients on JUXTAPID in Brazil, and it believes that part of the reason for the increase is due to the investigations. These issues could negatively affect the Company's ability to generate product revenue consistent with its expectations, and may impact its ability to achieve and maintain profitability or maintain cash-flow-positive operations. Prescriptions for and sales of metreleptin in Brazil may also be negatively affected. As of the filing date of this 10-K, the Company cannot determine if a loss is probable as a result of the investigations in Brazil and whether the outcome will

have a material adverse effect on its business and, as a result, the Company has not recorded any amounts for a loss contingency.

In January 2014, a putative class action lawsuit was filed against the Company and certain of its executive officers in the United States District Court for the District of Massachusetts alleging certain misstatements and omissions related to the marketing of JUXTAPID and the Company's financial performance in violation of the federal securities laws. On March 11, 2015, the Court appointed co-lead plaintiffs and lead counsel. On April 1, 2015, the Court entered an order permitting and setting a schedule for co-lead plaintiffs to file an amended complaint within 60 days, and for defendants to file responsive pleadings, co-lead plaintiffs to file any opposition, and defendants to file reply briefs. Accordingly, co-lead plaintiffs filed an amended complaint on June 1, 2015. The amended complaint filed against the Company and certain of its former executive officers alleges that defendants made certain misstatements and omissions during the first three quarters of 2014 related to the Company's revenue projections for JUXTAPID for 2014, as well as data underlying those projections, in violation of the federal securities laws. The Company filed a motion to dismiss the amended complaint for failure to state a claim on July 31, 2015. On August 21, 2015, co-lead plaintiffs filed a putative second amended complaint, which alleges that the defendants made certain misstatements and omissions from April 2013 through October 2014 related to the marketing of JUXTAPID and the Company's financial projections, as well as data underlying those projections. On September 4, 2015, the Company moved to strike the second amended complaint for the co-lead plaintiffs' failure to seek leave of court to file a second amended pleading, and briefing is complete with respect to the motion to strike. Oral argument on the motion to strike was held on March 9, 2016 and continued to April 7, 2016. As of the filing date of this 10-K, the Company cannot determine if a loss is probable as a result of the class action lawsuit and whether the outcome will have a material adverse effect on its business and, as a result, the Company has not recorded any amounts for a loss contingency.

10. Debt Financing

Term Loan

On March 28, 2012, the Company entered into a Loan and Security Agreement (as amended the "Loan and Security Agreement") with Silicon Valley Bank, pursuant to which Silicon Valley Bank made a term loan to the Company in the principal amount of $10.0 million (the "2012 Term Loan Advance"). The Loan and Security Agreement provided for interest-only payments through February 28, 2013, with per annum interest of 6.75% and a final payment of $0.2 million. The proceeds of the 2012 Term Loan Advance were used by the Company to repay the Company's existing loan from Hercules Technology II, L.P. and Hercules Technology III, L.P. (collectively, "the Hercules Funds").

Under the Loan and Security Agreement, the Company agreed to repay the principal balance of the 2012 Term Loan Advance in 36 equal monthly installments which started on March 1, 2013. As of December 31, 2014, the Company owed approximately $3.9 million under the 2012 Term Loan Advance. The Company may prepay all or any part of the outstanding 2012 Term Loan Advance subject to a prepayment premium (defined in the Loan and Security Agreement) at its option. During the year ended December 31, 2014 the Company made principal repayments to Silicon Valley Bank under the 2012 Term Loan Advance amounting to approximately $3.3 million.

In July 2012, the Loan and Security Agreement was amended to include a line of credit of up to $0.8 million to finance the purchase of certain types of equipment acquired by the Company during the two years ended December 31, 2012 with per annum interest rate of 4.75% (the "2012 Equipment Line"). The Company financed approximately $0.6 million under this arrangement, and the remaining 2012 Equipment Line expired unused. As of December 31, 2014, the Company

owed approximately $0.1 million under the line of credit. Pursuant to the agreement, the Company is required to make monthly principal payments beginning in January 2013 and continuing through December 2015. During the year ended December 31, 2014, the Company made principal payments to Silicon Valley Bank under the 2012 Equipment Line amounting of approximately $0.2 million.

On January 9, 2015, the Company amended its Loan and Security Agreement with Silicon Valley Bank to provide for a $25.0 million term loan (the "2015 Term Loan Advance") with per annum interest of 3.0%. The proceeds received from the 2015 Term Loan Advance were used by the Company to repay an aggregate of $4.0 million outstanding due to Silicon Valley Bank under the Company's term loan and equipment line of credit under the Loan and Security

Agreement. The amendment provided for interest-only payments on the 2015 Term Loan Advance through January 31, 2017, and, starting on February 1, 2017, payment of principal in 30 equal monthly installments, plus accrued interest. The maturity date of the 2015 Term Loan Advance is the earlier of (a) July 1, 2019 and (b) the maturity date of the Convertible Notes (the "2015 Term Loan Maturity Date") and can be accelerated by Silicon Valley Bank upon an event of default. If the Company prepays or is required to repay as a result of an acceleration following the event of default the 2015 Term Loan Advance on or prior to the first anniversary of the funding date of the 2015 Term Loan Advance, then the Company will owe 2.0% of the then outstanding principal amount whereas if the Company prepays the 2015 Term Loan Advance after the first anniversary of the funding date of the 2015 Term Loan Advance but prior to the 2015 Term Loan Maturity Date, then the Company will owe 1.0% of the then outstanding principal amount. If the Company or Silicon Valley Bank terminates the 2015 Term Loan Advance prior to the maturity date, then the Company will owe a $0.3 million termination fee. In addition, the 2015 Term Loan Advance is subject to a final payment of $1.25 million upon maturity or prior payment thereof.

The Company evaluated the 2015 amendment and concluded that it was a modification of the original Loan and Security Agreement rather than an extinguishment.

In connection with the Loan and Security Agreement, the Company granted Silicon Valley Bank a security interest in all of the Company's personal property then owned or thereafter acquired, excluding intellectual property and assets held within the Company's securities corporation, and a negative pledge on intellectual property. The Loan and Security Agreement also provides for standard indemnification of Silicon Valley Bank and contains representations, warranties and a material adverse change clause. The Company is also required to achieve certain covenants, including a specified level of liquidity and either a minimum quarterly revenue level or a minimum free cash flow level. As of December 31, 2015, the Company was not in compliance with certain covenants as described below.

On October 30, 2015, the Company notified Silicon Valley Bank that it had breached one or more covenants under the Loan and Security Agreement and it is currently in default. On November 9, 2015, the Company and Silicon Valley Bank entered into a Forbearance Agreement, pursuant to which Silicon Valley Bank has agreed not to take any action as a result of such default, including an agreement to waive the increase in the per annum interest rate under the loan from 3.0% to 8.0% until December 7, 2015, subject to certain conditions, including the deposit of cash into one or more accounts at Silicon Valley Bank to collateralize balances related to the outstanding obligations due to Silicon Valley Bank. These amounts are restricted for all uses until the full and final payment of all obligations, as determined by Silicon Valley Bank in its sole and exclusive discretion. On December 7, 2015, the Company and Silicon Valley Bank entered into an amendment to the Forbearance Agreement, pursuant to which Silicon Valley Bank has agreed to extend the forbearance period relating to the Company's default under the Loan and Security Agreement through January 7, 2016. On January 7, 2016, the Company and Silicon Valley Bank entered into a second amendment to the Forbearance Agreement, as amended, pursuant to which Silicon Valley Bank has agreed to extend the forbearance period relating to the Company's default under the Loan and Security Agreement through June 30, 2016. Pursuant to the terms of the Second Amendment, the Company and Silicon Valley Bank agreed to terminate the Revolving Line. On February 26, 2016, the Company and Silicon Valley Bank entered into a third amendment (the "Third Amendment") to the Forbearance Agreement, as amended, pursuant to which Silicon Valley Bank has agreed to forbear exercising its rights that will arise under the Loan and Security Agreement as a result of the Company's failure to deliver an unqualified opinion (without a going concern explanatory paragraph) of its independent auditors with its annual financial statements for the fiscal year ended December 31, 2015. The forbearance period pursuant to the Forbearance Agreement, as amended, is subject to early termination upon the occurrence of certain events, including the occurrence of additional events of default. Upon the occurrence of a termination

event, the Company would be required to repay all of the outstanding obligations, including, but not limited to, the $25.0 million outstanding principal of the 2015 Term Loan Advance and certain fees totaling $2.05 million. As the obligations may be accelerated at the election of Silicon Valley Bank upon the expiration of the Forbearance Agreement, as amended, or earlier if a termination event occurs, these amounts have been presented as current on the consolidated balance sheet. Amounts deposited with Silicon Valley Bank to collateralize balances related to outstanding obligations under the Loan and Security Agreement, which include the $25.0 million outstanding principal of the 2015 Term Loan Advance and $0.5 million related to a cash collateral account for letters of credit, have been presented as restricted cash as of December 31, 2015 on the consolidated balance sheet. The Company plans to continue to engage in discussions with Silicon Valley Bank during the forbearance period regarding the loan and the defaults to seek a resolution of this matter. The Company can provide no assurances that it

will be able to resolve this matter, which could result in the loan being accelerated and have a material negative impact on our cash flows and business.

The January 9, 2015 amendment to the Loan and Security Agreement also provides for a Revolving Line of up to $15.0 million, subject to a borrowing base of 80% of eligible accounts minus certain reserves. Borrowings under the Revolving Line bear interest at a per annum rate equal to the prime rate. As of December 31, 2015, the Company has not drawn down on the Revolving Line. The Revolving Line was terminated in January 2016 pursuant to the amended Forbearance Agreement, as discussed above.

Convertible 2.0% Senior Notes

In August 2014, the Company issued Convertible Notes with an aggregate principal amount of $325.0 million. The Company received net proceeds of approximately $316.6 million from the sale of the Convertible Notes, after deducting fees and expenses of approximately $8.4 million. The Company used approximately $26.1 million of the net proceeds from the sale of the Convertible Notes to pay the net cost of the convertible bond hedges, as described below (after such cost was partially offset by the proceeds to the Company from the sale of warrants in the warrant transactions described below) and used $35.0 million to repurchase shares of the Company's common stock.

The Convertible Notes are governed by the terms of an indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as the Trustee. The Convertible Notes are senior unsecured obligations and bear interest at a rate of 2.0% per year, payable semi-annually in arrears on February 15 and August 15 of each year, beginning on February 15, 2015. The Convertible Notes will mature on August 15, 2019, unless earlier repurchased or converted. The Convertible Notes will be convertible into shares of the Company's common stock at an initial conversion rate of 24.2866 shares of common stock per $1,000 principal amount of the Convertible Notes, which corresponds to an initial conversion price of approximately $41.175 per share of the Company's common stock. At the Company's 2015 Annual Meeting of Stockholders, the Company's stockholders voted to approve the Company's option to settle the conversion of the Convertible Notes through payment or delivery of cash, shares of the Company's common stock, or a combination of cash and shares of the Company's common stock, at the Company's election.

On or after February 15, 2019 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their Convertible Notes, in multiples of $1,000 principal amount, at the option of the holder regardless of the foregoing circumstances.

The indenture does not contain any financial covenants or restrict the Company's ability to repurchase the Company's securities, pay dividends or make restricted payments in the event of a transaction that substantially increases the Company's level of indebtedness. The indenture contains customary terms and covenants and events of default. If an event of default (other than certain events of bankruptcy, insolvency or reorganization involving the Company) occurs and is continuing, the Trustee by notice to the Company, or the holders of at least 25% in principal amount of the outstanding Convertible Notes by written notice to the Company and the Trustee, may declare 100% of the principal of and accrued and unpaid interest, if any, on all of the Convertible Notes to be due and payable. Upon such a declaration of acceleration, such principal and accrued and unpaid interest, if any, will be due and payable immediately. Upon the occurrence of certain events of bankruptcy, insolvency or reorganization involving the Company, 100% of the principal and accrued and unpaid interest, if any, on the Convertible Notes will become due and payable automatically. Notwithstanding the foregoing, the indenture provides that, upon the Company's election, and for up to 180 days, the sole remedy for an event of default relating to certain failures by the Company to comply with certain reporting covenants in the indenture consists exclusively of the right to receive additional interest on the Convertible Notes. If Silicon

Valley Bank elects to accelerate the principal amount due under the Loan and Security Agreement and the Company fails to pay such amount, the Trustee or holders of at least 25% of the aggregate principal amount of the Notes may deliver a notice of default to the Company. The Company's failure to pay the amount due under the Loan and Security Agreement within 30 days following its receipt of such notice would be deemed an event of default under the Indenture and, among other remedies, the Trustee or holders of at least 25% of the aggregate principal amount of the Notes could declare all unpaid principal of the Notes immediately due and payable. The default provision, which applies to the failure to repay the outstanding 2015 Term Loan Advance, or other indebtedness, is not considered probable to

occur as the Company has sufficient capital to repay the outstanding obligations under the Loan and Security Agreement if such amounts are accelerated by Silicon Valley Bank.

In accordance with accounting guidance for debt with conversion and other options, the Company separately accounted for the liability and equity components of the Convertible Notes by allocating the proceeds between the liability component and the embedded conversion option, or equity component, due to the Company's ability to settle the Convertible Notes in cash, common stock, or a combination of cash and common stock at the option of the Company. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The allocation was performed in a manner that reflected the Company's non-convertible debt borrowing rate for similar debt. The equity component of the Convertible Notes was recognized as a debt discount and represents the difference between the gross proceeds from the issuance of the Convertible Notes and the fair value of the liability of the Convertible Notes on their respective dates of issuance. The excess of the principal amount of the liability component over its carrying amount, or debt discount, is amortized to interest expense using the effective interest method over five years, or the life of the Convertible Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification.

The Company's outstanding Convertible Note balances as of December 31, 2015 consisted of the following (in thousands):

Liability component:	
Principal	$325,000
Less: deferred financing costs	(4,212)
Less: debt discount, net	(91,006)
Net carrying amount	$229,782
Equity component	$116,900

In connection with the issuance of the Convertible Notes, the Company incurred approximately $8.4 million of debt issuance costs, which primarily consisted of underwriting, legal and other professional fees, and allocated these costs to the liability and equity components based on the allocation of the proceeds. Of the total $8.4 million of debt issuance costs, $3.0 million were allocated to the equity component and recorded as a reduction to additional paid-in capital and $5.4 million were allocated to the liability component and recorded as a reduction to the liability balance on the balance sheet. The portion allocated to the liability component is amortized to interest expense over the expected life of the Convertible Notes using the effective interest method.

The Company determined that the expected life of the debt was equal to the five year term on the Convertible Notes. The effective interest rate on the liability component was 11.53% for the period from the date of issuance through December 31, 2015. The following table sets forth total interest expense recognized related to the Convertible Notes during the years ended December 31, 2015 and 2014 (in thousands):

	Years Ending December 31,	
	2015	2014
Contractual interest expense	$ 6,500	$ 2,438
Amortization of debt issuance costs	886	312
Amortization of debt discount	19,142	6,751
Total	$ 26,528	$ 9,501