UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): **December 12, 2012**

DESERT GATEWAY, INC.

(Exact name of registrant as specified in its charter)

Delaware	000-53293	26-2383102
(State or other jurisdiction of incorporation)	**(Commission File No.)**	**(I.R.S. Employer Identification No.)**

777 Third Avenue, 22nd Floor, New York, NY 10017
(Address of Principal Executive Offices)

(212) 983-1310
(Registrant's telephone number, including area code)

501 South Johnstone, Suite 501, Bartlesville OK 74003
(Former Name or Former Address if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425).
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

EXPLANATORY NOTE

This Current Report on Form 8-K is being filed in connection with a series of transactions consummated by Desert Gateway, Inc. (the "Company"), and with certain events and actions taken by the Company.

This Current Report on Form 8-K includes the following items on Form 8-K:

Item 1.01	Entry into a Material Definitive Agreement
Item 2.01	Completion of Acquisition or Disposition of Assets
Item 3.02	Unregistered Sales of Equity Securities
Item 5.01	Changes in Control of Registrant
Item 5.02	Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers; Compensatory Arrangements of Certain Officers
Item 5.06	Change in Shell Company Status
Item 9.01	Financial Statements and Exhibits

When used in this Current Report on Form 8-K, the terms "we," "us," "our" and similar terminology reference to the Company.

Item 1.01. Entry into a Material Definitive Agreement.

The disclosures set forth in Item 2.01 hereof are hereby incorporated by reference into this Item 1.01.

Item 2.01. Completion of Acquisition or Disposition of Assets.

Pursuant to an Agreement and Plan of Merger dated December 12, 2012, or the Merger Agreement, by and among Desert Gateway, Inc., a Delaware corporation which is referred to herein as the Company, Desert Gateway Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of the Company, or Merger Sub, and Retrophin, Inc., a Delaware corporation, which is referred to hereinafter as Retrophin, Merger Sub merged with and into Retrophin, with Retrophin remaining as the surviving entity and a wholly-owned operating subsidiary of the Company. This transaction is referred to throughout this report as the "Merger." The Merger was effective as of December 12, 2012, upon the filing of a certificate of merger with the Secretary of State of the State of Delaware.

At the effective time of the Merger, or the Effective Time, the legal existence of Merger Sub ceased and (i) 869,179 shares of common stock, par value $0.001 per share, or the Retrophin Common Stock, which represents all of the issued and outstanding Retrophin Common Stock and (ii) 155,461 shares of Series A Preferred Stock, par value $0.001 per share, or the Retrophin Preferred Stock, which represents all of the issued and outstanding Retrophin Preferred Stock, that was outstanding immediately prior to the Effective Time were cancelled. Simultaneously, the Company issued to the former holders of Retrophin Common Stock and Retrophin Preferred Stock, in consideration of their capital stock of Retrophin, an aggregate of 5,434,120 shares of the Company's common stock, par value $0.0001 per share.

Upon completion of the Merger, the former stockholders of Retrophin held 68.9% of the outstanding shares of capital stock of the Company. Accordingly, the Merger represents a change in control of the Company. As of the date of this report, there are 8,338,837 shares of the Company's common stock outstanding and no shares of the Company's preferred stock outstanding.

The Merger will be accounted for as a capital transaction. Upon effectiveness of the Merger, Retrophin's business plan became the business plan of the Company. Upon completion of the Merger, all management of the Company resigned and the management of Retrophin became the management of the Company.

The foregoing description of the Merger Agreement and the transactions contemplated thereby do not purport to be complete and are qualified in their entireties by reference to the Merger Agreement a copy of which is filed as Exhibit 2.1, hereto and is hereby incorporated by reference herein.

CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS

Certain information contained in this Current Report on Form 8-K include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The statements herein which are not historical reflect our current expectations and projections about the Company's future results, performance, liquidity, financial condition, prospects and opportunities and are based upon information currently available to the Company and their management and their interpretation of what is believed to be significant factors affecting the businesses, including many assumptions regarding future events. Such forward-looking statements include statements regarding, among other things:

- our ability to produce, market and generate sales of our products;
- our ability to develop, acquire and/or introduce new products;
- our projected future sales, profitability and other financial metrics;
- our future financing plans;
- our plans for expansion of our facilities;
- our anticipated needs for working capital;
- the anticipated trends in our industry;

- our ability to expand our sales and marketing capability;
- acquisitions of other companies or assets that we might undertake in the future; and
- competition existing today or that will likely arise in the future.

Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words “may,” “should,” “expect,” “anticipate,” “estimate,” “believe,” “intend,” “seek,” or “project” or the negative of these words or other variations on these words or comparable terminology. Actual results, performance, liquidity, financial condition and results of operations, prospects and opportunities could differ materially from those expressed in, or implied by, these forward-looking statements as a result of various risks, uncertainties and other factors, including the ability to raise sufficient capital to continue the Company’s operations. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under “Risk Factors” and matters described in this Current Report on Form 8-K generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this Current Report on Form 8-K will in fact occur. Potential investors should not place undue reliance on any forward-looking statements. Except as expressly required by the federal securities laws, there is no undertaking to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

Potential investors should not place undue reliance on any forward-looking statements. Except as expressly required by the federal securities laws, there is no undertaking to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

The specific discussions herein about the Company include financial projections and future estimates and expectations about the Company’s business. The projections, estimates and expectations are presented in this Current Report on Form 8-K only as a guide about future possibilities and do not represent actual amounts or assured events. All the projections and estimates are based exclusively on the Company management’s own assessment of its business, the industry in which it works and the economy at large and other operational factors, including capital resources and liquidity, financial condition, fulfillment of contracts and opportunities. The actual results may differ significantly from the projections.

Potential investors should not make an investment decision based solely on the Company’s projections, estimates or expectations.

Business

Those statements in the following discussion that are not historical in nature should be considered to be forward looking statements that are inherently uncertain. Actual results and the timing of the events may differ materially from those contained in these forward looking statements due to a number of factors, including the disclosures set forth in this Item 2.01 to this Current Report on Form 8-K, under the headings “Cautionary Note on Forward Looking Statements” and “Risk Factors”, which disclosures are incorporated herein by reference. As a result of the Merger, the Company, assumed management of the business activities of Retrophin and the stockholders of the Company have the right to appoint all of the members of the board of directors of the Company. As used in this section, the terms “we”, “our”, “us” and the “Company” refer to the Company, our direct and indirect subsidiary and Retrophin, our principal operating business.

Company Background

We were incorporated on February 8, 2008, as a subsidiary of American Merchant Data Services, Inc. Our former parent company, American Merchant Data Services, Inc. (American Merchant) was originally incorporated on January 27, 2000, in Florida as Boats.com, Inc. On September 25, 2002 Boats.com, Inc. changed its name to American Merchant Data Services, Inc. American Merchant later re-domiciled to Oklahoma in October, 2007, under the name American Merchant Data Merger, Inc. (“AMDM”).

During the fiscal period ended February 29, 2008, we consummated a reorganization which we refer to collectively as the “2008 Reorganization” pursuant to Section 1081(a) of the Oklahoma General Corporation Law, as a tax-free organization. On February 8, 2008, AMDM caused Desert Gateway, Inc. (“Desert Gateway”) to be incorporated in the State of Oklahoma, as a direct, wholly-owned subsidiary of AMDM and caused American Merchant Data Services, Inc. (“AMDS”) to also be incorporated in the State of Oklahoma, as a direct wholly-owned subsidiary of Desert Gateway. Under the terms of the Reorganization, AMDM was merged with and into AMDS pursuant to Section 1081(g) of the General Corporation Law of the State of Oklahoma (“OGCL”). Upon consummation of the Reorganization, each issued and outstanding share of AMDM Common Stock was converted into and exchanged for a share of common stock of Desert Gateway (on a share-for-share basis) having the same designations, rights, powers and preferences, and qualifications, limitations and restrictions as the shares of AMDM being converted. There was no spin-off and AMDM’s corporate existence ceased. Under the 2008 Reorganization all American Merchant shareholders became shareholders of Desert Gateway in the same proportion. In conjunction with the 2008 Reorganization, AMDM concluded a downstream merger into the second subsidiary AMDS. All of AMDM’s losses and net operating losses carried forward to AMDS. Following the Reorganization the Company was re-domiciled to Delaware. Since 2004 and prior to consummation of the domiciliary merger in 2008, neither American Merchant nor Desert Gateway had any existing operations.

To date and as of the date hereof, the Company can be defined as a "shell" company, an entity which is generally described as having no or nominal operations and with no or nominal assets or assets consisting solely of cash and cash equivalents. As a shell company, our sole purpose at this time is to locate and consummate a merger or acquisition with a private entity.

Our common stock is currently traded on the OTC.QB under our symbol of RTRX.

General

Retrophin is a developmental stage biopharmaceutical company focused on the discovery, development and commercialization of novel molecules for the treatment of a range of human genetic disorders. Our lead product in development is RE-021, a small molecule intended to treat focal segmental glomerulosclerosis (FSGS). Retrophin focuses on developing treatments for serious, unmet and rare diseases. In addition to FSGS, we are currently focusing on developing treatments for pantothenate kinase-associated neurodegeneration (PKAN) and Duchenne muscular dystrophy (DMD). The diseases on which Retrophin focuses are considered “orphan” diseases because they affect fewer than 200,000 patients in the United States. However, such diseases have a profound impact on those that suffer from them and their families.

Currently, we believe that we are the only company that is focusing on developing treatments for these rare and ultra-rare diseases.

Overview

Retrophin is a developmental stage biopharmaceutical company focused on the discovery, development and commercialization of novel molecules for the treatment of a range of human genetic disorders. Our lead product in development is RE-021, a small molecule intended to treat FSGS. We expect that a phase 2 clinical study of RE-021 to treat FSGS could begin in H1 2013. Our second development program is RE-024, a series of molecules designed to treat PKAN. Our preclinical development of RE-024 is being carried out in collaboration with St. Jude Children's Research Hospital. We expect to file an IND for a lead compound in the RE-024 program by 2014. Our third product in development is RE-001, a modified protein intended to treat DMD. We are planning to initiate first-in-human enabling studies of RE-001. Preclinical studies to date, in mice, have suggested that RE-001 improves muscles function and improves mortality. We expect to file for approval to begin human clinical trials of RE-001, to treat DMD, by the end of 2014.

Retrophin's focus is to seek treatment for serious, unmet, rare diseases. FSGS, PKAN and others are orphan diseases affecting fewer than 200,000 patients in the United States and have profound impacts on sufferers. We believe that worldwide sales potential for Retrophin's development stage products could exceed $1 billion per year.

We are initially focused on developing RE-021for patients with FSGS. We have licensed the exclusive worldwide rights to RE-021from Ligand Pharmaceuticals, Inc., which had previously been responsible for the development efforts.

During the next 12 to 18 months, we plan to:

- Initiate a placebo-controlled phase II clinical trial in FSGS; and
- Initiate an open-labeled phase II clinical trial in other nephropathies .

Our Strategy

Retrophin's goal is to become a leading biopharmaceutical company specializing in the development and commercialization of therapies for catastrophic diseases. Our commercialization strategy is to acquire pharmaceutical products for serious diseases and greatly increase patient and physician awareness to increase market penetration. Our development strategy is to focus on product opportunities which can take advantage of the shorter regulatory cycles that can be achieved with treatments for rare, life-threatening diseases. Beyond PKAN, FSGS, and DMD, Retrophin has plans to discover and develop drug candidates for other orphan diseases, which may include cystic fibrosis and spinal muscular atrophy.

To achieve this goal, we intend to:

- **Expand our product pipeline by pursuing additional acquisitions of niche orphan drugs.** We believe that there are multiple drugs for treating life-threatening diseases that may be neglected by other pharmaceutical companies. We believe that we can acquire certain of these niche products and build upon our commercial infrastructure in orphan disease to achieve increased sales.

- **Focus on developing innovative orphan drugs.** We focus on novel, life-saving orphan drug candidates in order to take advantage of our competitive strengths. We believe that drug development for orphan drug markets is particularly attractive because relatively small clinical trials can provide meaningful information regarding patient response and safety. Furthermore, the path to regulatory approval and commercial success for orphan drugs is less risky for an effective therapy, as compared to non-orphan drugs. Finally, we believe that our capabilities are well suited to the orphan drug market and represent distinct competitive advantages.

- **Build a sustainable pipeline by employing disciplined decision criteria.** We seek to build a sustainable product pipeline by employing multiple therapeutic approaches and by developing or acquiring orphan drug candidates. We employ disciplined decision criteria to assess drug candidates, favoring drug candidates that have undergone at least some clinical study. Our decision to license a drug candidate will also depend on the scientific merits of the technology; the costs of the transaction and other economic terms of the proposed license; the amount of capital required to develop the technology; and the economic potential of the drug candidate, should it be commercialized. We believe this strategy minimizes our clinical development risk and allows us to accelerate the development and potential commercialization of current and future drug candidates. We intend to pursue regulatory approval for a majority of our drug candidates in multiple indications.

- **Evaluate the commercialization strategies on a product-by-product basis to maximize the value of each.** As we move our drug candidates through development toward regulatory approval, we will evaluate several options for each drug candidate's commercialization strategy. These options include building our own internal sales force; entering into joint marketing partnerships with other pharmaceutical or biotechnology companies, whereby we jointly sell and market the product; and out-licensing our products, whereby other pharmaceutical or biotechnology companies sell and market our product and pay us a royalty on sales. Our decision will be made separately for each product and will be based on a number of factors including capital necessary to execute on each option, size of the market and terms of potential offers from other pharmaceutical and biotechnology companies.

Industry Analysis

The pharmaceutical industry in which Retrophin seeks to compete is highly competitive, strictly regulated, and rapidly changing. In the U.S. and abroad, governments regulate how drugs are approved, manufactured, sold, and paid for. The cost to get a drug to market can be substantial, oftentimes approaching $1 billion, and the pharmaceutical industry is characterized by long (often 7-10 years) time periods between the time an idea for a drug is conceived and the time that sale of said drug can legally begin. Despite the time required to discover and develop drugs, the pharmaceutical industry can afford substantial profit (global pharmaceutical sales are expected to reach $ 1 trillion in the next few years) if drug development is carried out correctly. While the challenge of creating drugs can be daunting, the industry can afford advantages by giving pharmaceutical companies near monopolistic exclusivity. For example, Retrophin is seeking to develop drugs to treat orphan diseases which can afford freedom from competition (in the U.S. for 7 years) if the F.D.A. grants "orphan drug status". Additionally, pharmaceuticals can enjoy strong freedom from competition based on the awarding of patents by the U.S. Patent and Trademark Office, which provides 20 years of intellectual protection.

In addition to government regulations, the pharmaceutical industry has elements of monopsony from managed care and government payers for drugs. Going forward, global efforts toward health care cost containment efforts are expected to continue to exert pressure on product pricing and market access. Further, the United States enacted major health care reform legislation in 2010, which began to be implemented in 2011. This new law is expected to expand access to health care to millions Americans by the end of the decade who did not previously have regular access to health care. The effect that this legislation will have on the pharmaceutical industry is uncertain.

Given the potential profits in the pharmaceutical industry, there is intense competition to succeed. Other large pharmaceutical and biotechnology companies, academic institutions, governmental agencies and other public and private research organizations are similarly pursuing the development of novel drugs that target the same diseases that we are seeking to treat. Retrophin faces, and expects to continue to face, intense and increasing competition as new products enter the market and advanced technologies become available. Despite the challenges and uncertainties of the pharmaceutical industry, Retrophin believes that it is well-positioned to compete in this potentially lucrative field.

Competitive strengths

Retrophin seeks to discover, develop and deliver to patients first-in-class or best-in-class medicines for the treatment of rare, life-threatening, diseases. A first-in-class drug refers to the first approved or marketed drug within a class of drug candidates that operate through a particular target or molecular mechanism in the body to affect a specific disease. A best-in-class drug refers to a drug, among all drugs within a class of drugs which operate through a particular target or molecular mechanism in the body to affect a particular disease, that is superior to all other such drugs in the class by virtue of its superior efficacy, superior safety, ease of administration, or some combination of the foregoing. We believe that RE-024, a drug for the treatment of PKAN, has the potential to be a first-in-class drug, because no drug currently uses the particular molecules of RE-024 in the treatment of PKA. We believe that RE-021, a drug for the treatment of FSGS, has the potential to be a best-in-class drug due to its superior efficacy and ease of administration.

Retrophin has acquired/built a pipeline of innovative product candidates for multiple rare disease indications, all of which represent proprietary applications of Retrophin's expertise in drug technologies. Historically and going forward, Retrophin's product candidates were/will result from a mixture of discoveries by in-house scientists and through judicious in-licensing of assets from other organizations, for example, other biotech/pharmaceutical companies, universities, or research institutes. Retrophin believes that its small molecule technologies, team of experienced management and scientists, and its corporate culture form the basis of its potential long-term competitive advantage in seeking to deliver first-in-class and best-in-class medicines.

Retrophin's lead product candidate (RE-021) has completed Phase 1 clinical studies demonstrating safety and efficacy, and we expect to initiate a Phase 2 clinical trial in 2013. Additionally, Retrophin's second most developed program (RE-024) is in preclinical testing, and we will seek to initiate clinical trials of this product candidate as soon as is practical.

Research and Product Development Pipeline

RE-021

RE-021 is our lead development stage compound. RE-021 is an investigational therapeutic agent which acts as both a potent angiotensin receptor blocker (ARB) as well as a selective endothelin receptor antagonist (ERA) preferential for endothelin receptor type A. Retrophin has secured a license to RE-021 from Ligand and Bristol-Myers Squibb. We are developing RE-021 as a treatment for focal segmental glomerulosclerosis (FSGS) and other nephropathies. We also intend to develop RE-021 for resistant hypertension and in other therapeutic areas.

ARBs and ERAs have a rich history of clinical development. ARBs have a relatively narrow mechanistic purview: they are known to be anti-hypertensive agents with positive downstream effects on proteinuria and end-organ (kidney and heart) prognosis. ERAs represent a less well-understood clinical mechanism. Over a dozen ERAs have been trialed clinically, for a diverse array of diseases including the successfully approved Tracleer (bosentan) and Letairis (ambrisentan) for pulmonary arterial hypertension (PAH), the unsuccessful darusentan for resistant hypertension and heart failure, the withdrawn-from-market Thelin (sitaxsentan) for PAH, the failed avosentan for diabetic nephropathy, the failed zibotentan in prostate cancer, the failed clazosentan in subarachnoid hemorrhage, the failed tezosentan in heart failure, the failed atrasentan in prostate cancer, the failed enrasentan in heart failure and the continuing trials of macitentan.

RE-021 in FSGS

Retrophin intends to develop RE-021 as a treatment for focal segmental glomerulosclerosis (FSGS). FSGS is a leading cause of end stage renal disease (ESRD) and nephrotic syndrome. There are no FDA-approved treatments for FSGS and the off-label armamentarium is limited to ARBs, steroids, and immunosuppressant agents which are only effective for some patients. We estimate that there are at least 40,000 FSGS patients in the United States, which we believe could result in potential annual revenue of greater than $1 billion/year for RE-021.

We believe that FSGS as an indication would be eligible to receive orphan drug status from both the FDA and the EMEA. FSGS is similar to over a dozen other rare, but severe, nephropathies and glomerulopathies for which RE-021 could serve a critical role. Retrophin believes that a drop in proteinuria could serve as a primary endpoint in a pivotal clinical study and that FDA approval could be received on the basis of a single, small pivotal trial.

RE-021 in other indications

In addition to developing RE-021 as a potential treatment for FSGS, Retrophin intends to seek to begin clinical development of RE-021 in, IgA nephropathy, diabetic nephropathy, resistant hypertension, and other rare nephropathies as soon as possible.

IgA Nephropathy

IgA nephropathy is a form of glomerulonephritis with high proteinuria as its key symptom. There is no FDA approved therapy for IgA nephropathy. The prognosis of this disease is directly related to proteinuria level, with roughly one-third to one-fifth of patients losing their kidney within 10 years, with risk continuing linearly as age progresses. Most patients are diagnosed young, so dialysis, transplant and death are inevitable in these patients. There is a range of estimated patients from 40,000 to 150,000 in the United States. Assuming 35% of these patients have very severe proteinuria, and a $25,000 per-patient per-year price, peak global sales of RE-021 in IgA nephropathy can exceed over $1 billion.

There has never been a large clinical trial in IgA nephropathy. We believe that it is widely accepted and evidence-based that proteinuria is an appropriate endpoint for measuring the progress of this disease. Following completion of a small, open-label study, we would seek to begin a pivotal trial evaluating RE-021 in IgA nephropathy patients having proteinuria >1g/day. We believe that an acceptable primary endpoint for such a trial would be change in proteinuria at three months. Based on other IgA nephropathy studies, we believe that approximately 150 patients could be enrolled in about one year. Retrophin could be in a position to start a pivotal clinical study in IgA nephropathy in 2014.

Resistant Hypertension

Retrophin intends to mirror a previous darusentan phase 2 trial seeking to treat resistant hypertension with RE-021. We believe that the potential potency of RE-021 and an increased sample size compared to a previous study could allow for improvement in the expected primary endpoint of systolic blood pressure change at 10 weeks. In this population, trial design is a key concern. Because resistant hypertension is a complex clinical “situation,” it requires exponentially more clinical trial programming and design. Twenty-four hour ambulatory blood pressure automated monitoring is a more accurate assay for blood pressure than sitting blood pressure. We estimate that this study could begin enrolling in 2014. If results of this study are positive, Retrophin would target a partnership with a major pharmaceutical company to continue development.

RE-024

Retrophin is developing RE-024, a novel small molecule, as a potential treatment for pantothenate kinase-associated neurodegeneration (PKAN). PKAN is the most common form of neurodegeneration with brain iron accumulation (NBIA). Classic PKAN is a genetic disorder that is typically diagnosed in the first decade of life. Consequences of PKAN include dystonia, dysarthria, rigidity, retinal degeneration, and severe digestive problems. PKAN is estimated to affect 1 to 3 per million people. The devastating effects of PKAN—most sufferers end up wheelchair bound, as well as suffering from dementia and other psychiatric problems, and typically don’t live past age 20—are clear. There are currently no viable treatment options for patients with PKAN: the opportunity with RE-024 is to transform treatment of PKAN with a potentially life changing and life-extending impact on patients.

PKAN is caused by a genetic downregulation of the enzyme pantothenate kinase (PANK), via a mutation in the pantothenate kinase-2 gene. PANK is responsible for the conversion of pantothenic acid to 4́ -phosphopantothenic acid, a precursor to Coenzyme A (CoA) in the brain. CoA is involved in a range of important biochemical functions, including the citric acid cycle, steroid biosynthesis, and histone and tubulin acetylation. Retrophin's approach seeks to improve neurological outcomes by directly replacing in the brain a molecule missing from PKAN sufferers.

RE-024 is a preclinical investigational program. Retrophin is in the process of synthesizing a focused library of pantothenate phosphate prodrugs. *In vitro* testing of these molecules is underway, and we expect that *in vivo* evaluation will begin in early 2013. Phase 1 clinical studies are expected to begin early in 2014, and, with strong Phase 1/2 data, an NDA filing could occur as early as 2016.

Pantothenic acid pro-phosphates, a potential solution

PKAN is caused by a misregulation in a single protein responsible for neurological function, namely, pantothenate kinase-2 (PANK2). PANK is the first enzyme responsible for the synthesis of Coenzyme A (CoA), and specifically phosphorylates pantothenic acid (vitamin B5).

Retrophin's Approach to Treating PKAN: RE-024

PKAN is caused by dysregulation of the pantothenate kinase (PANK) enzyme, which converts pantothenic acid to phosphopantothenic acid. The reaction catalyzed by PANK is depicted in Figure 1.

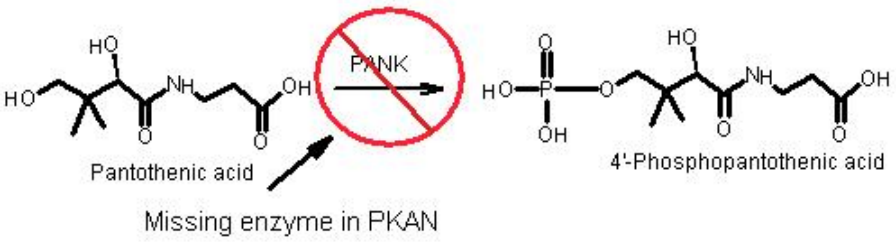

Figure 1: Reaction catalyzed by PANK.

RE-024 is a small molecule "prophosphate" designed to circumvent the need for PANK, the dysfunctional enzyme responsible for PKAN, that is, to directly supply cells with the product of the reaction, namely phosphopantothenic acid. A simple approach to this could be to use the product of the enzymatic reaction, namely, 4´-phosphopantothenic acid. This approach has been mentioned in the literature, but it has been recognized that the highly charged molecule would not be able to permeate the lipohilic cell membrane. The approach taken with RE-024 is to follow the lead of nucleotide chemistry, and to generate prodrugs of phosphates ("pro-phosphates") to mask the charge of the dianion. The approach described has been successfully used in improving the bioavailability of nucleotides.

Retrophin is in the process of synthesizing a library of derivatives of RE-024, via a CRO. The library is designed to define the optimal characteristics of molecule, specifically, with a view to striking a balance between extra and intracellular stability and lipophilicity. A similar idea, in the nucleoside case, has been described for potential HCV treatments, for example, GS-7977.

RE-001

RE-001 is a recombinant, modified form of utrophin, a protein similar to the dystrophin protein that is missing in the muscles of Duchenne muscular dystrophy (DMD) patients. In RE-001, micro-utrophin is fused to a cell-penetrating peptide known as TAT, which is believed to allow for delivery of the modified form of utrophin into muscle cells, where it is needed for structural support.

Duchenne Muscular Dystrophy

Duchenne muscular dystrophy is a severe recessive X-linked form of muscular dystrophy characterized by rapid progression of muscle degeneration, eventually leading to loss of ambulation and death. This affliction affects one in 3,500 males, making it the most prevalent of muscular dystrophies. In general, only males are affected, though females can be carriers. Females may be afflicted if the father is afflicted and the mother is also a carrier/affected. The disorder is caused by a mutation in the dystrophin gene, located in humans on the X chromosome.

Symptoms of DMD usually appear in male children before age five and may be visible in early infancy. Progressive proximal muscle weakness of the legs and pelvis associated with a loss of muscle mass is observed first. Eventually this weakness spreads to the arms, neck, and other areas. As the condition progresses, muscle tissue experiences wasting and is eventually replaced by fat and fibrotic tissue. By age 10, braces may be required to aid in walking but most patients are wheelchair dependent by age 12. Later symptoms may include abnormal bone development that lead to skeletal deformities, including curvature of the spine. Due to progressive deterioration of muscle, loss of movement occurs, eventually leading to paralysis. The average life expectancy for patients afflicted with DMD varies from late teens to early to mid-twenties. There have been reports of a few DMD patients surviving to the age of 40, but this is extremely rare.

No Existing Treatment for DMD

There is no known cure for DMD. Treatment is generally aimed at controlling the onset of symptoms to maximize quality of life. Corticosteroids such as prednisolene and deflazacort are commonly used for DMD to increase energy and strength and defer severity of some symptoms. However, the benefits are temporary, modest and are accompanied by detrimental side effects including muscle wasting, fat deposition and bone loss. Physical therapy is also used to help maintain muscle strength, flexibility and function. Orthopedic appliances such as braces and wheelchairs help to provide structural support and improve mobility, and respirators and ventilators assist with managing breathing. There are new treatments in development to potentially restore the functionality of a gene containing a mutation resulting in DMD by a process called "exon skipping." The goal of exon-skipping is to realign the translation of genetic information in the dystrophin gene and promote synthesis of a shortened, but functional, version of the protein. Exon-skipping drugs are still in development stage, and if successful it is expected that they could slow the course of DMD and reduce the severity of the muscle disease. It is also possible that these exon-skipping therapies, if successful, may be appropriate only for those patients with very specific mutations in the dystrophin gene.

RE-001

RE-001 is a novel compound that is being developed to replace dystrophin, the missing protein that has been identified as causing DMD. Protein replacement therapy is a well-known tool for many diseases such as insulin for diabetes, erythropoietin (EPO) for anemia resulting from chronic kidney disease and myelodysplasia, and human growth hormone (HGH) for short stature, chronic renal failure, and Prader-Willi syndrome, among other conditions.

Figure 2 demonstrates the role of dystrophin in cell stability, that is, to bind the muscle cell membrane to the actin filaments required for the mechanical function of muscle cells.

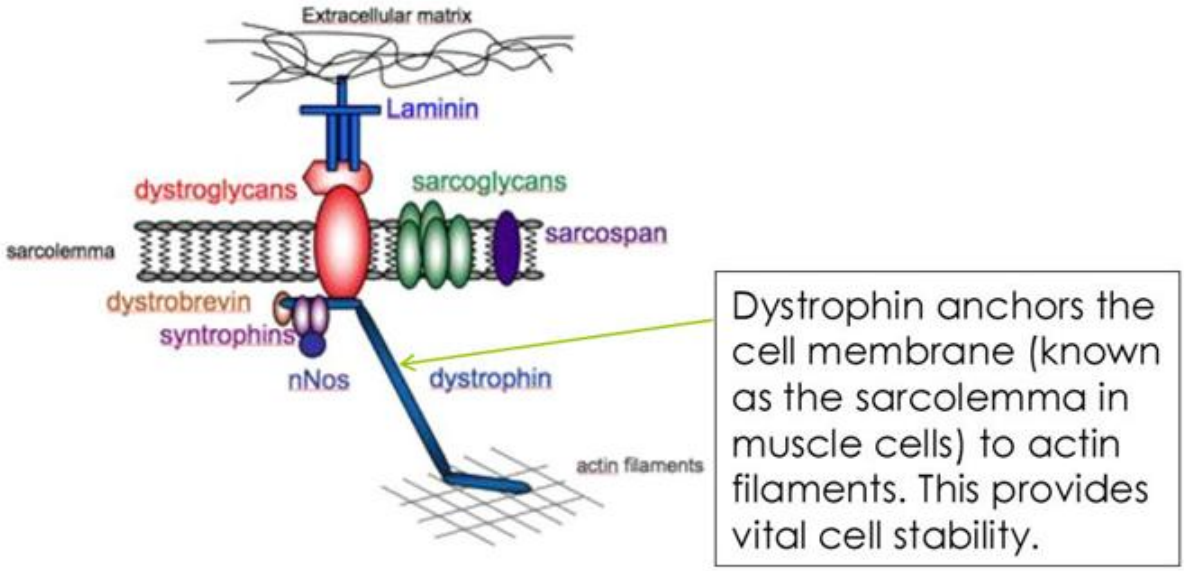

Figure 2: Role of dystrophin in muscle cell stabilization. RE-001 is designed to replace dystrophin in DMD boys.

RE-001 is designed to replace dystrophin by providing a recombinant supply of a modified form of a very similar protein, utrophin, fused to a cell-penetrating peptide (TAT) which allows for delivery of the utrophin protein into the cell where it is needed for structural support and integrity.

In pre-clinical studies, treatment with RE-001 in “mdx” mice (a strain of mice that lack the muscle protein dystrophin), an animal model for DMD, resulted in reduced creatine kinase excretion, a marker of muscle damage. Retrophin will seek to replicate this result in humans, with creatine kinase as a possible primary endpoint or co-primary endpoint for a Phase 2 trial.

RE-001 Development Activities

Two papers on use of TAT-m-UTR have been published. In the first study (Ervasti *et al.*, *PLoS*, **2009**), the treated mice in the above study showed markedly less muscle degradation, as measured by muscle fiber diameter than those treated with placebo. Additionally, TAT-m-UTR treated mice exhibited better physical muscle strength, as measured by muscle force assays. In a second study with a more severe muscle impairment (Ervasti *et al., J. Appl. Physiol.*, **2011**), mice with DMD treated with TAT-m-UTR had a median overall survival of 43.5 days $\pm$ 2.0 days, compared to 30 days $\pm$ 1.8 days for PBS treated mice.

Direct protein replacement as a potential therapy for Duchenne muscular dystrophy has, to the best of our knowledge, not been attempted to date.

Planned Phase I Clinical Trial

We expect to initiate a Phase 1 clinical study of RE-001 in DMD patients by the end of 2014. We can provide no assurances that Retrophin can successfully start this study. The Phase 1 clinical study will initially explore the tolerability and pharmacokinetic behavior of RE-001. Dose amount and frequency will be informed by Retrophin's initial animal studies.

Licenses and Royalties

Ligand License

In February 2012, we entered into an agreement pursuant to which Ligand agreed to grant us a worldwide license for the development, manufacture and commercialization of RE-021 (DARA). Under the license agreement, Ligand is obligated to transfer to Retrophin certain information, records, regulatory filings, materials and inventory controlled by Ligand and relating to or useful for developing RE-021. We must use commercially reasonable efforts to develop and commercialize RE-021 in specified major market countries and other countries in which we believe it is commercially reasonable to develop and commercialize such products.

As consideration for the license, we are required to make substantial payments upon the achievement of certain milestones totaling up to $106.7 million, if all such milestones are achieved. Should we commercialize RE-021 or any products containing any of these compounds, we will be obligated to pay to Ligand an escalating annual royalty based on net sales of all such products. The license agreement contains other customary clauses and terms as are common in similar agreements in the industry.

Intellectual Property

We hold a worldwide exclusive license under our license agreement with Ligand for RE-021 to three granted U.S. patents as well as foreign counterparts thereof and other patent applications and patents claiming priority therefrom.

In the United States, we have a license to issued patents for RE-021, our lead compound, which will currently expire in 2020-2023 before any patent term extension. In jurisdictions which permit such, we will seek patent term extensions, for example as provided for in the Hatch-Waxman Act in the United States, where possible for certain of our patents. We plan to pursue additional patents in and outside of the United States covering additional therapeutic uses of RE-021 from these existing applications. In addition, we will pursue patent protection for any new discoveries or inventions made in the course of our development of RE-021.

If we obtain marketing approval for RE-021 or other drug candidates in the United States or in certain jurisdictions outside of the United States, we may be eligible for regulatory protection, such as five years of new chemical entity exclusivity, seven years of orphan drug exclusivity and as mentioned below, up to five years of patent term extension potentially available in the United States under the Hatch-Waxman Act, 8 to 11 years of data and marketing exclusivity potentially available for new drugs in the European Union, up to five years of patent extension in Europe (Supplemental Protection Certificate), and eight years of data exclusivity potentially available in Japan. There can be no assurance that we will qualify for any such regulatory exclusivity, or that any such exclusivity will prevent competitors from seeking approval solely on the basis of their own studies. See “Government Regulation” below.

Our goal is to obtain, maintain and enforce patent protection for our products, formulations, processes, methods and other proprietary technologies, preserve our trade secrets, and operate without infringing on the proprietary rights of other parties, both in the United States and in other countries. Our policy is to actively seek to obtain, where appropriate, the broadest intellectual property protection possible for our current product candidates and any future product candidates, proprietary information and proprietary technology through a combination of contractual arrangements and patents, both in the United States and abroad. However, even patent protection may not always afford us with complete protection against competitors who may seek to circumvent our patents. Our proprietary rights may not adequately protect our intellectual property and potential products, and if we cannot obtain adequate protection of our intellectual property and potential products, we may not be able to successfully market our potential products.

We will depend upon the skills, knowledge and experience of our scientific and technical personnel, as well as that of our advisors, consultants and other contractors, none of which is patentable. To help protect our proprietary know-how, which is not patentable, and inventions for which patents may be difficult to obtain or enforce, we will in the future rely on trade secret protection and confidentiality agreements to protect our interests. To this end, we plan to require all of our employees, consultants, advisors and other contractors to enter into confidentiality agreements that prohibit the disclosure of confidential information and, where applicable, require disclosure and assignment to us of the ideas, developments, discoveries and inventions important to our business.

Manufacturing

We intend to continue to use our financial resources to accelerate development of our drug candidates rather than diverting resources to establish our own manufacturing facilities. We intend to meet our pre-clinical and clinical trial manufacturing requirements by establishing relationships with third-party manufacturers and other service providers to perform these services for us. We do not have any long-term agreements or commitments for these services.

Should any of our drug candidates obtain marketing approval, we anticipate establishing relationships with third-party manufacturers and other service providers in connection with the commercial production of our products. We have some flexibility in securing other manufacturers to produce our drug candidates; however, our alternatives may be limited due to proprietary technologies or methods used in the manufacture of some of our drug candidates.

Sales and Marketing

We currently have no commercial infrastructure. In order to commercialize our clinical drug candidates if and when they are approved for sale in the United States or elsewhere, we will need to build marketing, sales and distribution capabilities.

We may be subject to various federal and state laws pertaining to health care "fraud and abuse," including anti-kickback laws and false claims laws. Anti-kickback laws make it illegal for a prescription drug manufacturer to solicit, offer, receive, or pay any remuneration in exchange for, or to induce, the referral of business, including the purchase or prescription of a particular drug. Due to the breadth of the statutory provisions and the absence of guidance in the form of regulations and very few court decisions addressing industry practices, it is possible that our practices might be challenged under anti-kickback or similar laws. False claims laws prohibit anyone from knowingly and willingly presenting, or causing to be presented for payment to third-party payors (including Medicare and Medicaid) claims for reimbursed drugs or services that are false or fraudulent, claims for items or services not provided as claimed, or claims for medically unnecessary items or services. Our activities relating to the sale and marketing of our products may be subject to scrutiny under these laws.

Pricing and Reimbursement

A portion of our future end-user demand for our drugs is for patients covered under Medicaid, Medicare and other government-related programs such as TRICARE and the Veterans Administration, or VA. As required by Federal regulations, we will need to provide rebates and discounts in connection with these programs. As a result of Medicaid rebates, we may not generate any net sales with respect to Medicaid sales, but we do generate net sales with respect to Medicare sales, TRICARE sales and sales made to the VA.

In addition, it is possible that future legislation in the United States and other jurisdictions could be enacted which could potentially impact the reimbursement rates for the products we are developing and may develop in the future and also could further impact the levels of discounts and rebates paid to federal and state government entities. Any legislation that impacts these areas could impact, in a significant way, our ability to generate revenues from sales of products that, if successfully developed, we bring to market.

Competition

The pharmaceutical and biotechnology industries are intensely competitive and subject to rapid and significant technological change. Most of our competitors are larger than us and have substantially greater financial, marketing and technical resources than we have. If our business strategy is successful, we likely will attract additional competition.

The development and commercialization of new products to treat orphan diseases is highly competitive, and we expect considerable competition from major pharmaceutical, biotechnology and specialty pharmaceutical companies. As a result, there are, and will likely continue to be, extensive research and substantial financial resources invested in the discovery and development of new orphan drug products. Our potential competitors include, but are not limited to, Genentech, GlaxoSmithKline, Roche, Novartis, Pfizer, Boehringer Ingelheim, Sanofi, BioMarin, Sarepta, Vertex, and Jazz Pharmaceuticals.

We are an early stage company with no history of operations. Many of our competitors have substantially more resources than we do, including both financial and technical. In addition, many of our competitors have more experience than us in pre-clinical and clinical development, manufacturing, regulatory and global commercialization. We are also competing with academic institutions, governmental agencies and private organizations that are conducting research in the field of orphan diseases.

Our competition will be determined in part by the potential indications for which drugs are developed and ultimately approved by regulatory authorities. Additionally, the timing of market introduction of some of our potential products or our competitors' products may be an important competitive factor. Accordingly, the speed with which we can develop products, complete pre-clinical testing, clinical trials, approval processes, and supply commercial quantities to market are expected to be important competitive factors. We expect that competition among products approved for sale will be based on various factors, including product efficacy, safety, reliability, availability, price, reimbursement, and patent position.

Clinical Testing of Our Products in Development

Each of our products in development, and likely all future drug candidates we develop, will require extensive pre-clinical and clinical testing to determine the safety and efficacy of the product applications prior to seeking and obtaining regulatory approval. This process is expensive and time consuming. In completing these trials, we are dependent upon third-party consultants, consisting mainly of investigators and collaborators, who will conduct such trials.

We and our third-party consultants conduct pre-clinical testing in accordance with Good Laboratory Practices, or GLP, and clinical testing in accordance with Good Clinical Practice standards, or GCP, which are international ethical and scientific quality standards utilized for pre- clinical and clinical testing, respectively. GCP is the standard for the design, conduct, performance, monitoring, auditing, recording, analysis and reporting of clinical trials, and is required by the U.S. Food and Drug Administration, or FDA, to be followed in conducting clinical trials.

Government Regulation of Marketed Products

In the United States, FDA regulations govern the research, development, testing, manufacture, quality control, labeling, storage, record-keeping, approval, sale, distribution, advertising and promotion of our products.

The FDA may withdraw product approval for non-compliance with regulatory requirements or if safety or efficacy problems occur after the product reaches the market. The FDA also has the power to require changes in labeling or to prevent further marketing of a product based on the results of post-marketing programs.

The facilities, procedures, and operations of our contract manufacturers must be determined to be adequate by the FDA before a new drug application (NDA) or supplemental new drug application (sNDA) is approved. Additionally, manufacturing facilities are subject to inspections by the FDA for compliance with current good manufacturing practices (cGMP), licensing specifications, and other FDA regulations on an on-going basis. Vendors that supply our finished products or components used to manufacture, package and label products are subject to similar regulations and periodic inspections.

Following such inspections, the FDA may issue notices on Form 483 and issue Warning Letters that could cause us to modify certain activities identified during the inspection. The FDA generally issues a Form 483 notice at the conclusion of an FDA inspection and lists conditions the FDA investigators believe may violate cGMP or other FDA regulations. FDA guidelines specify that a Warning Letter be issued only for violations of "regulatory significance" for which the failure to adequately and promptly achieve correction may be expected to result in an enforcement action.

In addition, the FDA imposes a number of complex regulatory requirements on entities that advertise and promote pharmaceuticals, including but not limited to, standards and regulations for direct-to-consumer advertising, payments to physicians, off-label promotion, industry-sponsored scientific and educational activities and promotional activities involving the internet.

Failure to comply with FDA and governmental regulations can result in fines, unanticipated compliance expenditures, recall or seizure of products, total or partial suspension of production and/or distribution, suspension of the FDA's review of NDAs or sNDAs, injunctions, disqualification from participation in government reimbursement programs and criminal prosecution. Any of these actions or events could have a material adverse effect on us both financially and reputationally.

Government Regulation of Drug Candidates

United States—FDA Process

The research, development, testing, manufacture, labeling, promotion, advertising, distribution and marketing, among other things, of drug products are extensively regulated by governmental authorities in the United States and other countries. In the United States, the FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act, or the FDCA, and its implementing regulations. Failure to comply with the applicable U.S. requirements may subject us to administrative or judicial sanctions, such as FDA refusal to approve pending New Drug Applications, or NDAs, warning letters, fines, civil penalties, product recalls, product seizures, total or partial suspension of production or distribution, injunctions and/or criminal prosecution.

Drug Approval Process.

None of our drug product candidates may be marketed in the United States until the drug has received FDA approval. The steps required before a drug may be marketed in the United States generally include the following:

- Completion of extensive pre-clinical laboratory tests, animal studies, and formulation studies in accordance with the FDA's GLP regulations.

- Submission to the FDA of an IND for human clinical testing, which must become effective before human clinical trials may begin.
- Performance of adequate and well-controlled human clinical trials to establish the safety and efficacy of the drug for each proposed indication.
- Submission to the FDA of an NDA after completion of all pivotal clinical trials.
- Satisfactory completion of an FDA pre-approval inspection of the manufacturing facility or facilities at which the active pharmaceutical ingredient, or API, and finished drug product are produced and tested to assess compliance with current good manufacturing practices, or cGMPs.
- FDA review and approval of the NDA prior to any commercial marketing or sale of the drug in the United States.

The development and approval process requires substantial time, effort and financial resources, and we cannot be certain that any approvals for our product candidates will be granted on a timely basis, if at all.

Expedited Review and Approval.

The FDA has various programs, including Fast Track, priority review and accelerated approval, which are intended to expedite or simplify the process for reviewing drugs, and/or to provide for approval on the basis of surrogate endpoints. Even if a drug qualifies for one or more of these programs, the FDA may later decide that the drug no longer meets the conditions for qualification or that the time period for FDA review or approval will be shortened. Generally, drugs that may be eligible for these programs are those for serious or life- threatening conditions, those with the potential to address unmet medical needs, and those that offer meaningful benefits over existing treatments. For example, Fast Track is a process designed to facilitate the development, and expedite the review of drugs to treat serious diseases and fill an unmet medical need. Priority review is designed to give drugs that offer major advances in treatment or provide a treatment where no adequate therapy exists an initial review within 6 months as compared to a standard review time of 12 months. Although Fast Track and priority review do not affect the standards for approval, the FDA will attempt to facilitate early and frequent meetings with a sponsor of a Fast Track designated drug and expedite review of the application for a drug designated for priority review. Accelerated approval provides an earlier approval of drugs to treat serious diseases, and that fill an unmet medical need based on a surrogate endpoint, which is a laboratory measurement or physical sign used as an indirect or substitute measurement representing a clinically meaningful outcome. As a condition of approval, the FDA may require that a sponsor of a drug receiving accelerated approval perform post-marketing clinical trials.

Patent Term Restoration and Marketing Exclusivity.

Depending upon the timing, duration and specifics of FDA approval of the use of our drugs, some of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, patent term restoration cannot extend the remaining term of a patent beyond a total of 14 years from the product's approval date. The patent term restoration period is generally one-half the time between the effective date of an IND, and the submission date of an NDA, plus the time between the submission date of an NDA and the approval of that application. Only one patent applicable to an approved drug is eligible for the extension and the extension must be applied for prior to expiration of the patent. The U.S. Patent and Trademark Office, or the USPTO, in consultation with the FDA, reviews and approves the application for any patent term extension or restoration. In the future, we intend to apply for restorations of patent term for some of our currently owned or licensed patents to add patent life beyond their current expiration date, depending on the expected length of clinical trials and other factors involved in the submission of the relevant NDA.

Data and market exclusivity provisions under the FDCA also can delay the submission or the approval of certain applications. The FDCA provides a five-year period of non-patent exclusivity within the United States to the first applicant to gain approval of an NDA for a new chemical entity. A drug is a new chemical entity if the FDA has not previously approved any other new drug containing the same active moiety, which is the molecule or ion responsible for the action of the drug substance. During the exclusivity period, the FDA may not accept for review an abbreviated new drug application, or ANDA, or a 505(b)(2) NDA submitted by another company for another version of such drug where the applicant does not own or have a legal right of reference to all the data required for approval. However, an application may be submitted after four years if it contains a certification of patent invalidity or non-infringement. The FDCA also provides three years of marketing exclusivity for an NDA, 505(b)(2) NDA or supplement to an existing NDA if new clinical investigations, other than bioavailability studies, that were conducted or sponsored by the applicant are deemed by the FDA to be essential to the approval of the application, for example, for new indications, dosages or strengths of an existing drug. This three-year exclusivity covers only the conditions associated with the new clinical investigations and does not prohibit the FDA from approving ANDAs or 505(b)(2) NDAs for drugs containing the original active agent. Five-year and three-year exclusivity will not delay the submission or approval of a full NDA; however, an applicant submitting a full NDA would be required to conduct or obtain a right of reference to all of the pre-clinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and effectiveness.

Foreign Regulation

In addition to regulations in the United States, we will be subject to a variety of foreign regulations governing clinical trials and commercial sales and distribution of our products. Whether or not we obtain FDA approval for a product, we must obtain approval by the comparable regulatory authorities of foreign countries before we can commence clinical trials and approval of foreign countries or economic areas, such as the EU, before we may market products in those countries or areas. The approval process and requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from place to place, and the time may be longer or shorter than that required for FDA approval.

Other Laws and Regulatory Processes

We are subject to a variety of financial disclosure and securities trading regulations as a public company in the United States, including laws relating to the oversight activities of the Securities and Exchange Commission, or SEC, and, if our capital stock becomes listed on a national securities exchange, we will be subject to the regulations of such exchange on which our shares are traded. In addition, the Financial Accounting Standards Board, or FASB, the SEC, and other bodies that have jurisdiction over the form and content of our accounts, our financial statements and other public disclosure are constantly discussing and interpreting proposals and existing pronouncements designed to ensure that companies best display relevant and transparent information relating to their respective businesses.

Our present and future business has been and will continue to be subject to various other laws and regulations. Various laws, regulations and recommendations relating to safe working conditions, laboratory practices, the experimental use of animals, and the purchase, storage, movement, import and export and use and disposal of hazardous or potentially hazardous substances used in connection with our research work are or may be applicable to our activities. Certain agreements entered into by us involving exclusive license rights or acquisitions may be subject to national or supranational antitrust regulatory control, the effect of which cannot be predicted. The extent of government regulation, which might result from future legislation or administrative action, cannot accurately be predicted.

Employees

As of the date of this report, we employed four employees, each of whom is full-time and five consultants provide significant assistance to us. To successfully develop our drug candidates, we must be able to attract and retain highly skilled personnel. We anticipate hiring up to 15 additional full-time employees devoted to development activities and up to 5 additional full-time employees for general and administrative activities over the next few years. In addition, we intend to use clinical research organizations and third parties to perform our clinical studies and manufacturing.

Organization and Consolidated Subsidiaries.

We do not have any active subsidiaries and all of our assets and operations are maintained by Retrophin.

Properties

Our principal executive offices are located at 777 Third Avenue, Suite 22nd Floor, New York, NY10017.

Legal Proceedings

We are not currently involved in any material legal proceedings.

RISK FACTORS

Our business, as well as our shares of Common Stock, are highly speculative and involve a high degree of risk. Investing in our common stock involves a high degree of risk. Our securities should be purchased only by persons who can afford to lose their entire investment. You should carefully consider the risks and uncertainties described below together with all of the other information included herein, including the financial statements and related notes, before deciding to invest in our Common Stock. If any of the following risks actually occur, they would materially harm our business, prospects, financial condition and results of operations. In this event, the market price of our common stock could decline and you could lose part or all of your investment.

The Company is Still in the Development Stage and Has Not Generated any Revenues.

From inception through September 30, 2012, we have incurred net losses of approximately $20.1 million and negative cash flows from operating activities of approximately $2.9 million. Because it takes years to develop, test and obtain regulatory approval for our treatments before they can be sold, the Company likely will continue to incur significant losses and cash flow deficiencies for the foreseeable future. Accordingly, it may never be profitable and, if it does become profitable, it may be unable to sustain profitability.

Risks Related to Our Financial Position and Need for Additional Capital

We have incurred operating losses since our inception. We expect to incur operating losses for the foreseeable future and may never achieve or maintain profitability.

Since inception, we have incurred significant operating losses. Our net loss attributable to common stockholders was $3,268,256 for the year ended December 31, 2011. As of September 30, 2012 we had an accumulated deficit of $20,080,925. To date, we have financed our operations primarily by raising capital through private placements of Retrophin Preferred Stock. We have devoted substantially all of our efforts to research and development, specifically our preclinical development activities. We have not completed development of any drugs. We expect to continue to incur significant and increasing operating losses for at least the next several quarters and we are unable to predict the extent of any future losses. We anticipate that our expenses will increase substantially as we:

- Begin phase 2 clinical development of RE-021 for the treatment of FSGS.
- Continue our ongoing preclinical development of RE-024 for the treatment of PKAN, and potentially begin clinical trials of RE-024.
- Continue our ongoing preclinical development activities of RE-001 for the treatment of DMD, and potentially begin clinical trials of RE-001.
- Continue the research and development of additional product candidates.
- Seek regulatory approval of RE-021, RE-024, RE-001 and additional product candidates.

- Establish a sales and marketing infrastructure to commercialize products for which we may obtain regulatory approval.

- Add operational, financial, and management information systems and personnel, including personnel to support of product development efforts and our obligations as a public company.

To become and remain profitable, we must succeed in developing and commercializing drugs with significant market potential. This will require us to be successful in a range of challenging activities, including the discovery of product candidates, successful completion of preclinical testing and clinical trials of our product candidates, obtaining regulatory approval for these product candidates and manufacturing, marketing and selling those products for which we may obtain regulatory approval. We are only in the preliminary stages of these activities. We may never succeed in these activities and may never generate revenues that are large enough to achieve profitability. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become or remain profitable could depress the market price of our common stock and could impair our ability to raise capital, expand our business, diversify our product offerings or continue our operations. A decline in the market price of our common stock would also cause you to lose a part or all of your investment.

No Operating History

As of the date of this filing, Retrophin has not generated any revenues. Retrophin faces the problems, expenses, difficulties, complications and delays, many of which are beyond Retrophin's control, associated with any business in its early stages and has no operating history on which an evaluation of its prospects can be made. Such prospects should be considered in light of the risks, expenses and difficulties frequently encountered in the establishment of a business in a new industry, characterized by a number of market entrants and intense competition, and in the shift from development to commercialization of new products based on innovative technologies. There can be no assurance that Retrophin will ever generate revenues from operations.

Future Profitability Uncertain

Retrophin is an early stage corporation. There can be no assurance that revenues from product sales or licensing arrangements will ever be achieved. Moreover, even if Retrophin generates revenues from product sales arrangements, Retrophin may incur significant operating losses over the next several years. Retrophin's ability to achieve profitable operations in the future will depend in large part upon successful in-licensing FDA approved products, selling and manufacturing these products, completing development of its products, obtaining regulatory approvals for these products, and bringing these products to market. The likelihood of the long-term success of Retrophin must be considered in light of the expenses, difficulties and delays frequently encountered in the development and commercialization of new drug products, competitive factors in the marketplace, as well as the regulatory environment in which Retrophin operates.

Legal Risks

We face an inherent business risk of exposure to significant product liability and other claims in the event that the use of our products caused, or is alleged to have caused, adverse effects. Furthermore, our products may cause, or may appear to have caused, adverse side effects (including death) or potentially dangerous drug interactions that we may not learn about or understand fully until the drug has been administered to patients for some time. The withdrawal of a product following complaints and/or incurring significant costs, including the requirement to pay substantial damages in personal injury cases or product liability cases, could have a material adverse effect on our business, financial condition and results of operations and could cause the market value of our common stock to decline. Our product liability insurance coverage may not be sufficient to cover our claims and we may not be able to obtain sufficient coverage at a reasonable cost in the future.

We may become involved in infringement actions which are uncertain, costly and time-consuming and could have a material adverse effect on our business, financial condition and results of operations and could cause the market value of our common stock to decline.

The pharmaceutical industry historically has generated substantial litigation concerning the manufacture, use and sale of products and we expect this litigation activity to continue. As a result, we expect that patents related to our products will be routinely challenged, and our patents may not be upheld. In order to protect or enforce patent rights, we may initiate litigation against third parties. If we are not successful in defending an attack on our patents and maintaining exclusive rights to market one or more of our major products still under patent protection, we could lose a significant portion of sales in a very short period. We may also become subject to infringement claims by third parties and may have to defend against charges that we violated patents or the proprietary rights of third parties. If we infringe the intellectual property rights of others, we could lose our right to develop, manufacture or sell products, including our generic products, or could be required to pay monetary damages or royalties to license proprietary rights from third parties. The outcomes of infringement action are uncertain and infringement actions are costly and divert technical and management personnel from their normal responsibilities.

“Fraud and Abuse” Laws

We are subject to various laws and regulations, including "fraud and abuse" laws and anti-bribery laws, and a failure to comply with such laws and regulations or prevail in any litigation related to noncompliance could have a material adverse impact on our business, financial condition and results of operations and could cause the market value of our common stock to decline.

Pharmaceutical and biotechnology companies have faced lawsuits and investigations pertaining to violations of health care "fraud and abuse" laws, such as the federal False Claims Act, the federal Anti-Kickback Statute, the U.S. Foreign Corrupt Practices Act ("FCPA") and other state and federal laws and regulations. We also face increasingly strict data privacy and security laws in the U.S. and in other countries, the violation of which could result in fines and other sanctions. The United States Department of Health and Human Services Office of Inspector General recommends and, increasingly states, require pharmaceutical companies to have comprehensive compliance programs and to disclose certain payments made to healthcare providers or funds spent on marketing and promotion of drug products. If we are in violation of any of these requirements or any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines, exclusion from federal healthcare programs or other sanctions.

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

Future Capital Requirements

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

We expect our general, research and development expenses to increase in connection with our ongoing activities, particularly as we begin phase 2 clinical study of RE-021, and as we continue toward Phase 1 clinical studies of RE-001 and RE-024, and for any later-stage clinical trials of our product candidates. In addition, subject to obtaining regulatory approval of any of our product candidates, we expect to incur significant commercialization expenses for product sales and marketing, securing commercial quantities of product from our manufacturers, and product distribution. We currently have no additional commitments or arrangements for any additional financing to fund the research and development and commercial launch of our product candidates.

We believe that our existing cash and cash equivalents and marketable securities, will be sufficient to enable us to fund our operating expenses and capital expenditure requirements until at least the second quarter of 2013. Additional funds may not be available to Retrophin when we need them on terms that are acceptable to us, or at all. If adequate funds are not available to us on a timely basis, we may be required to reduce or eliminate research development programs or commercial efforts.

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

- The progress and results of our pre-clinical and clinical studies of RE-021, RE-001, RE-024, and other drug candidates.

- The costs, timing and outcome of regulatory review of our product candidates.
- The number and development requirements of other product candidates that we pursue.
- The costs of commercialization activities, including product marketing, sales and distribution.
- The emergence of competing technologies and other adverse market developments.
- The costs of preparing, filing and prosecuting patent applications and maintaining, enforcing and defending intellectual property related claims.
- The extent to which we acquire or invest in businesses, products and technologies.
- Our ability to establish collaborations and obtain milestone, royalty or other payments from any such collaborators.

Any additional funds that we obtain may not be on terms favorable to us or our stockholders or may require us to relinquish valuable rights.

Until such time, if ever, as we generate stable product revenue to finance our operations, we expect to finance our cash needs through public or private equity offerings and debt financings, corporate collaboration and licensing arrangements and grants from patient advocacy groups, foundations and government agencies. If we raise additional funds by issuing equity securities, our stockholders will experience dilution. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends, and may include rights that are senior to the holders of our common stock. Any debt financing or additional equity that we raise may contain terms, such as liquidation and other preferences, which are not favorable to us or our stockholders. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us or our stockholders.

Our short operating history may make it difficult for you to evaluate the success of our business to date and to assess our future viability.

We are a new company. We commenced operations in 2011. Our operations to date have been limited to organizing and staffing our company, licensing and developing our technology, planning for clinical studies of RE-021, developing a viable manufacturing route for RE-001, planning pre-clinical studies and limited clinical studies of RE-001 and RE-024. We have not yet demonstrated our ability to successfully begin or complete clinical trials, obtain regulatory approvals, manufacture a commercial-scale product or arrange for a third party to do so on our behalf, or conduct sales and marketing activities necessary for successful product commercialization. Consequently, any predictions you make about our future success or viability may not be as accurate as they would be if we had a longer operating history.

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

Material weakness in internal control over financial reporting.

In connection with the preparation of Retrophin's audited financial statements for the period from March 11, 2011 (inception) through December 31, 2011, our independent auditors advised management that a material weakness existed in internal control over financial reporting.

Although we are committed to continuing to improve our internal control processes, and although we will continue to diligently and vigorously review our internal control over financial reporting, any control system, regardless of how well designed, operated and evaluated, can provide only reasonable, not absolute, assurance that its objectives will be met. Therefore, we cannot be certain that, in the future, additional material weaknesses or significant deficiencies will not exist or otherwise be discovered. If our efforts to address the weakness identified are not successful, or if other deficiencies occur, these weaknesses or deficiencies could result in misstatements of our results of operations, restatements of our financial statements, a decline in our stock price and investor confidence or other material effects on our business, reputation, results of operations, financial condition or liquidity.

Retrophin's auditors have expressed doubt about our ability to continue as a going concern.

Our Independent Accountant's Report issued in connection with our audited financial statements for the period from March 11, 2011 (inception) through December 31, 2011, stated that "the Company, as a development stage enterprise, is subject to risks and uncertainties as to whether it will be able to raise capital and commence its planned operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern." Because Retrophin has been issued an opinion by its auditors that substantial doubt exists as to whether it can continue as a going concern it may be more difficult to attract investors.

Risks Related to Our Intellectual Property

If we are unable to obtain and maintain protection for the intellectual property relating to our technology and products, the value of our technology and products will be adversely affected.

Our success will depend in large part on our ability to obtain and maintain protection in the United States and other countries for the intellectual property covering, or incorporated into, our technology and products. The patent situation in the field of biotechnology and pharmaceuticals generally is highly uncertain and involves complex legal, technical, scientific and factual questions. We may not be able to obtain additional issued patents relating to our technology or products. Even if issued, patents issued to us or our licensors may be challenged, narrowed, invalidated, held to be unenforceable or circumvented, which could limit our ability to stop competitors from marketing similar products or reduce the term of patent protection we may have for our products. Changes in either patent laws or in interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property or narrow the scope of our patent protection. Currently we have no patent protection on RE-001. We have composition of matter patents on RE-021 that were filed in July 1999, and we have filed a patent application on RE-024 in April 2012. We expect that in addition to the protection afforded by our patent filings that we will be able to extend our intellectual protection, by up to five years, via the provisions of the Hatch-Waxman Act.

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

- We or our licensors were the first to make the inventions covered by each of our pending patent applications.
- We or our licensors were the first to file patent applications for these inventions.
- Others will not independently develop similar or alternative technologies or duplicate any of our technologies.
- Any patents issued to us or our licensors that provide a basis for commercially viable products will provide us with any competitive advantages or will not be challenged by third parties.
- We will develop additional proprietary technologies that are patentable.
- We will file patent applications for new proprietary technologies promptly or at all.
- The claims we make in our patents will be upheld by patent offices in the United States and elsewhere.

- Our patents will not expire prior to or shortly after commencing commercialization of a product.

- The patents of others will not have a negative effect on our ability to do business.

In addition, we cannot assure you that any of our pending patent applications will result in issued patents.

We have negotiated a license agreement for the rights to RE-021 (PS433540) from Ligand Pharmaceuticals. We cannot be certain that we will be successful in maintaining the covenants required in this license agreement, and we cannot be certain that we will be able to maintain these rights with beneficial terms. Composition of matter patents for RE-021, are set to expire in 2019. We cannot be certain when or if we will file for patent protection for different indications, and we cannot be certain if we would be successful in obtaining these patents, or if we will be able to enforce these patents. If we are unsuccessful in obtaining patents for different uses of RE-021 we may not be able to stop competitors from marketing similar products.

We have filed a provisional patent application in the United States on the composition of RE-024 as a treatment for pantothenate kinase associated neurodegeneration. We cannot be certain that we will have completed sufficient experimental work to enable this patent application by the one year anniversary of the application: this may result in our losing our priority date. We cannot be certain that this application will be granted, or that the claims we have made will be allowed by the patent office. Further, we have not filed for patent protection outside of the United States for RE-024. We cannot be certain that we will filed for patent protection outside the United States, or that even if we do any patents(s) will be granted.

We are in the process of licensing patents and patent applications on the core technology of RE-001 from both the University of Minnesota and the University of Wisconsin. We cannot be certain that we will be successful in securing these rights and we cannot be certain that we will be able to obtain these rights with beneficial terms. We also cannot be certain that a competing organization will obtain rights to these patents and applications. To the best of our knowledge, patent protection for the technology on which our lead compound, RE-001 is based have not been filed outside of the United States. We cannot be certain when or if we will file for patent protection outside of the United States, and we cannot be certain if we would be successful in obtaining these patents or if we will be able to enforce these patents. If patents are not issued in respect of our pending patent applications, we may not be able to stop competitors from marketing similar products in Europe and other countries in which we do not have issued patents.

We currently have no issued patents or pending applications covering methods of using or composition of RE-001 outside of the United States. We intend to seek orphan medicinal product designation and to rely on statutory data exclusivity provisions in jurisdictions outside the United States where such protections are available, including Europe. The patent rights that we are seeking to license relating to our product candidates are limited in ways that may affect our ability to exclude third parties from competing against us if we obtain regulatory approval to market these product candidates.

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

If we fail to comply with our obligations in our intellectual property licenses with third parties or if we are delinquent in our payments to third parties, we may lose license rights that are important to our business.

If we are unable to protect the confidentiality of our proprietary information and know-how, the value of our technology and products could be adversely affected.

We seek to protect our know-how and confidential information, in part, by confidentiality agreements with our employees, corporate partners, outside scientific collaborators, sponsored researchers, consultants and other advisors. We also have confidentiality and invention or patent assignment agreements with our employees and our consultants. If our employees or consultants breach these agreements, we may not have adequate remedies for any of these breaches. In addition, our trade secrets may otherwise become known to or be independently developed by others. Enforcing a claim that a party illegally obtained and is using our trade secrets is difficult, expensive and time consuming, and the outcome is unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets. Costly and time consuming litigation could be necessary to seek to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

If we infringe or are alleged to infringe the intellectual property rights of third parties, it will adversely affect our business.

Our research, development and commercialization activities, as well as any product candidates or products resulting from these activities, may infringe or be accused of infringing one or more claims of an issued patent or may fall within the scope of one or more claims in a published patent application that may subsequently issue and to which we do not hold a license or other rights. Third parties may own or control these patents or patent applications in the United States and abroad. These third parties could bring claims against us that would cause us to incur substantial expenses and, if successful against us, could cause us to pay substantial damages. Further, if a patent infringement suit were brought against us, we or they could be forced to stop or delay research, development, manufacturing or sales of the product or product candidate that is the subject of the suit.

No assurance can be given that patents do not exist, have not been filed, or could not be filed or issued, which contain claims covering our products, technology or methods. Because of the number of patents issued and patent applications filed in our field, we believe there is a risk that third parties may allege they have patent rights encompassing our products, technology or methods.

We are aware, for example, of United States patents, and corresponding international counterparts, owned by third parties that contain claims related to treating DMD using a direct protein replacement strategy. If any third party patents were to be asserted against us we do not believe that our proposed products would be found to infringe any valid claim of these patents. If we were to challenge the validity of any issued United States patent in court, we would need to overcome a presumption of validity that attaches to every patent. This burden is high and would require us to present clear and convincing evidence as to the invalidity of the patent's claims. There is no assurance that a court would find in our favor on infringement or validity.

In order to avoid or settle potential claims with respect to any of the patent rights described above or any other patent rights of third parties, we may choose or be required to seek a license from a third party and be required to pay license fees or royalties or both. These licenses may not be available on acceptable terms, or at all. Even if we or our future collaborators were able to obtain a license, the rights may be nonexclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we could be prevented from commercializing a product, or be forced to cease some aspect of our business operations, if, as a result of actual or threatened patent infringement claims, we are unable to enter into licenses on acceptable terms. This could harm our business significantly.

Others may sue us for infringing their patent rights or file nullity, opposition or interference proceedings against our patents, even if such claims are without merit, which would similarly harm our business. Furthermore, during the course of litigation, confidential information may be disclosed in the form of documents or testimony in connection with discovery requests, depositions or trial testimony. Disclosure of our confidential information and our involvement in intellectual property litigation could materially adversely affect our business.

There has been substantial litigation and other proceedings regarding patent and other intellectual property rights in the pharmaceutical and biotechnology industries. In addition to infringement claims against us, we may become a party to other patent litigation and other proceedings, including interference proceedings declared by the United States Patent and Trademark Office and opposition proceedings in the European Patent Office, regarding intellectual property rights with respect to our products and technology. Even if we prevail, the cost to us of any patent litigation or other proceeding could be substantial.

Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. In addition, any uncertainties resulting from any litigation could significantly limit our ability to continue our operations. Patent litigation and other proceedings may also absorb significant management time.

Many of our employees were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. We try to ensure that our employees do not use the proprietary information or know-how of others in their work for us. However, we may be subject to claims that we or these employees have inadvertently or otherwise used or disclosed intellectual property, trade secrets or other proprietary information of any such employee's former employer. Litigation may be necessary to defend against these claims and, even if we are successful in defending ourselves, could result in substantial costs to us or be distracting to our management. If we fail to defend any such claims, in addition to paying monetary damages, we may jeopardize valuable intellectual property rights, disclose confidential information or lose personnel.

Competition

Retrophin faces competition from pharmaceutical companies in the FSGS and DMD indication and will likely face similar competition in other indications, including PKAN, because competition in the area of pharmaceutical products is intense. There are many companies, both public and private, including well-known pharmaceutical companies, which are engaged in the development of products for certain of the applications being pursued by Retrophin, such as DMD, PKAN, and FSGS.

The following biotechnology and pharmaceutical companies are working on developing potential treatments for DMD and have products which are currently in or have completed the following clinical stages: GlaxoSmithKline/Prosensa and Santhera/Takeda (Phase 3); Acceleron Pharma/Shire, Sarepta Therapeutics, Phrixus, Prosensa and PTC Therapeutics (Phase 2); and Sarepta Therapeutics and Tivorsan Pharmaceuticals and possibly others (Preclinical). Additionally, several FDA approved drugs for other indications are being tested in clinical trials for DMD, including prednisone, sildenafil citrate (sold under the trademark Viagra, among others) and IGF-1. There are also clinical studies underway evaluating possible treatments for FSGS. For example, Sanofi (Genzyme) is engaged in a phase 2 clinical study of Fresolimumab to treat FSGS, and Sunnybrook Medical Center has announced plans for a phase 2 clinical study of Rituxan to treat FSGS. Also, Fibrogen is developing an anti-Connective Tissue Growth Factor (CTGF) antibody as a possible treatment for FSGS.

A clinical study of Deferiprone as a potential treatment for PKAN has been reported. Additionally, we believe that an organization called TIRCON is working on a possible treatment for PKAN using pantethine derivatives.

Several of Retrophin's competitors have substantially greater financial, research and development, distribution, manufacturing and marketing experience and resources than Retrophin and represent substantial long-term competition for Retrophin. Other companies may succeed in developing and marketing products that are more effective and/or less costly than any products that may be developed and marketed by Retrophin, or that are commercially accepted before any Retrophin product. Factors affecting competition in the pharmaceutical and drug industries vary, depending on the extent to which a competitor is able to achieve a competitive advantage based on its proprietary technology and ability to market and sell drugs. If Retrophin is able to establish and maintain a significant proprietary position with respect to its products, competition likely will depend primarily on the effectiveness and ease of administration and product compliance as compared to alternative products. The industry in which Retrophin competes is characterized by extensive research and development efforts and rapid technological progress. Although Retrophin believes that its proprietary position may give it a competitive advantage with respect to its proposed products, new developments are expected to continue and there can be no assurance that discoveries by others will not render Retrophin's potential products noncompetitive.

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

Risks Related to Our Dependence on Third Parties

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

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

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

Reliance on third party manufacturers entails risks to which we may not be subject if we manufactured our product candidates or products ourselves, including:

- Reliance on the third party for regulatory compliance and quality assurance.
- Limitations on supply availability resulting from capacity and scheduling constraints of the third parties.
- Impact on our reputation in the marketplace if manufacturers of our products fail to meet the demands of our customers.

- The possible breach of the manufacturing agreement by the third party because of factors beyond our control.

- The possible termination or nonrenewal of the agreement by the third party, based on its own business priorities, at a time that is costly or inconvenient for us.

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

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

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

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

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

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

We rely on third parties to conduct certain preclinical development activities and our clinical trials and those third parties may not perform satisfactorily, including failing to meet established deadlines for the completion of such activities and trials.

We do not currently operate any laboratory facilities. We do not independently conduct any physical preclinical development activities of our product candidates, such as efficacy and safety studies in animals, or clinical trials for our product candidates. We rely on, or work in conjunction with, third parties, such as contract research organizations, medical institutions and clinical investigators, to perform these functions. Our reliance on these third parties for preclinical and clinical development activities reduces our control over these activities. We are responsible for ensuring that each of our pre-clinical development activities and our clinical trials is conducted in accordance with the applicable general investigational plan and protocols and in compliance with appropriate government regulations, however, we have no direct control over these researchers or contractors (except by contract), as they are not our employees. Moreover, the FDA requires us to comply with standards, commonly referred to as Good Clinical Practices, or GCP, for conducting, recording and reporting the results of our preclinical development activities and our clinical trials to assure that data and reported results are credible and accurate and that the rights, safety and confidentiality of trial participants are protected. For our commercial products, we are required to comply with cGMP (Good Manufacturing Processes). Our reliance on third parties that we do not control does not relieve us of these responsibilities and requirements. Furthermore, these third parties may also have relationships with other entities, some of which may be our competitors. If these third parties do not successfully carry out their contractual duties, meet expected deadlines, comply with cGMPs, conduct our preclinical development activities or our clinical trials in accordance with regulatory requirements or our stated protocols, we may not be able to obtain, or may be delayed in obtaining, regulatory approvals for our product candidates and will not be able to, or may be delayed in our efforts to, successfully commercialize our product candidates. Moreover, these third parties may be bought by other entities or they may go out of business, thereby preventing them from meeting their contractual obligations.

We may co-promote our product candidates in various markets with pharmaceutical and biotechnology companies in instances where we believe that a larger sales and marketing presence could expand the market or accelerate penetration. If we do enter into arrangements with third parties to perform sales and marketing services, our product revenues may be lower than if we directly sold and marketed our products and any revenues received under such arrangements will depend on the skills and efforts of others.

We may not be successful in entering into distribution arrangements and marketing alliances with third parties. Our failure to enter into these arrangements on favorable terms could delay or impair our ability to commercialize our product candidates and could increase our costs of commercialization. Dependence on distribution arrangements and marketing alliances to commercialize our product candidates will subject us to a number of risks, including:

- We may not be able to control the amount and timing of resources that our distributors may devote to the commercialization of our product candidates.

- Our distributors may experience financial difficulties.

- Business combinations or significant changes in a distributor's business strategy may also adversely affect a distributor's willingness or ability to complete its obligations under any arrangement.

- These arrangements are often terminated or allowed to expire, which could interrupt the marketing and sales of a product and decrease our revenue.

If we are unable to establish adequate sales, marketing and distribution capabilities, whether independently or with third parties, we may not be able to generate product revenue and may not become profitable.

We rely on other third parties to store and distribute drug supplies for our preclinical development activities and our clinical trials. Any performance failure on the part of our existing or future distributors could delay clinical development or regulatory approval of our product candidates or commercialization of our products, producing additional losses and depriving us of potential product revenue.

Extensions, delays, suspensions or terminations of our preclinical development activities and our clinical trials as a result of the performance of our independent clinical investigators and contract research organizations will delay, and make more costly, regulatory approval for any product candidates that we may develop. Any change in a contract research organization during an ongoing preclinical development activity or clinical trial could seriously delay that trial and potentially compromise the results of the activity or trial.

We may not be successful in maintaining or establishing collaborations, which could adversely affect our ability to develop and, particularly in international markets, commercialize products.

For each of our product candidates, we are collaborating with physicians, patient advocacy groups, foundations and government agencies in order to assist with the marketing and development of our products. We plan to pursue similar activities in future programs and plan to evaluate the merits of retaining commercialization rights for ourselves or entering into selective collaboration arrangements with leading pharmaceutical or biotechnology companies. We also may seek to establish collaborations for the sales, marketing and distribution of our products outside the United States. If we elect to seek collaborators in the future but are unable to reach agreements with suitable collaborators, we may fail to meet our business objectives for the affected product or program. We face, and will continue to face, significant competition in seeking appropriate collaborators. Moreover, collaboration arrangements are complex and time consuming to negotiate, document and implement. We may not be successful in our efforts, if any, to establish and implement collaborations or other alternative arrangements. The terms of any collaborations or other arrangements that we establish, if any, may not be favorable to us.

Any collaboration that we enter into may not be successful. The success of our collaboration arrangements, if any, will depend heavily on the efforts and activities of our collaborators. It is likely that any collaborators of ours will have significant discretion in determining the efforts and resources that they will apply to these collaborations. The risks that we may be subject to in possible future collaborations include the following:

- Our collaboration agreements are likely to be for fixed terms and subject to termination by our collaborators in the event of a material breach or lack of scientific progress by us.

- Our collaborators are likely to have the first right to maintain or defend our intellectual property rights and, although we would likely have the right to assume the maintenance and defense of our intellectual property rights if our collaborators do not, our ability to do so may be compromised by our collaborators' acts or omissions.

- Our collaborators may utilize our intellectual property rights in such a way as to invite litigation that could jeopardize or invalidate our intellectual property rights or expose us to potential liability.

Collaborations with pharmaceutical companies and other third parties often are terminated or allowed to expire by the other party. Such terminations or expirations may adversely affect us financially and could harm our business reputation in the event we elect to pursue collaborations that ultimately expire or are terminated.

Risks Related to Employee Matters and Managing Growth

Our future success depends on our ability to retain our chief executive officer and other key executives and to attract, retain and motivate qualified personnel.

We are highly dependent on principal members of our management team and scientific staff. These executives each have significant pharmaceutical industry experience, including our Chairman of the Board, Stephen Aselage and Martin Shkreli, one our Chief Executive Officer and one of our Directors. We do not maintain "key person" insurance on Mr. Aselage or Mr. Shkreli or on any of our other executive officers.

Recruiting and retaining qualified scientific personnel, clinical personnel and sales and marketing personnel will also be critical to our success. Our industry has experienced a high rate of turnover in recent years. We may not be able to attract and retain these personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. Although we believe we offer competitive salaries and benefits, we may have to increase spending in order to retain personnel.

We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us.

We expect to expand our development, regulatory and sales and marketing capabilities, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

We are a development stage company with four full-time employees and five consultants that provide significant support and assistance to us as of the date of the Merger. Of these employees and consultants, four work primarily in research and development and one provides administrative services. We expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of drug development and regulatory affairs. Assuming our plans and business conditions progress consistent with our current projections, we plan to grow to a total of 25 employees by the end of 2013. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited resources, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The physical expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability on the part of our management to manage growth could delay the execution of our business plans or disrupt our operations.

In the event that we attempt to acquire or develop our own in-house sales, marketing and distribution capabilities, factors that may inhibit our efforts to commercialize our products without strategic partners or licensees include:

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

- Efforts by our competitors to commercialize products at or about the time when our product candidates would be coming to market.

Risks Related to Our Stock

Our executive officers, directors and principal stockholders have the ability to strongly influence all matters submitted to our stockholders for approval.

Our largest stockholder owns approximately 30% of the outstanding stock. If he were to choose to act with other large stockholder, they would be able to control all matters submitted to our stockholders for approval, as well as our management and affairs. For example, these persons, if they choose to act together, will control the election of directors and approval of any merger, consolidation, sale of all or substantially all of our assets or other business combination or reorganization. This concentration of voting power could delay or prevent an acquisition of us on terms that other stockholders may desire. The interests of this group of stockholders may not always coincide with your interests or the interests of other stockholders, and they may act, whether by meeting or written consent of stockholders, in a manner that advances their best interests and not necessarily those of other stockholders, including obtaining a premium value for their common stock, and might affect the prevailing market price for our common stock.

An active trading market for our common stock may never develop.

If an active market for our common stock does not develop, it may be difficult for you to sell shares without depressing the market price for our common stock.

The designation of our common stock as a "penny stock" would limit the liquidity of our common stock.

Our common stock may be deemed a "penny stock" (as that term is defined under Rule 3a51-1 of the Exchange Act) in any market that may develop in the future. Generally, a "penny stock" is a common stock that is not listed on a securities exchange and trades for less than $5.00 a share. Prices often are not available to buyers and sellers and the market may be very limited. Penny stocks in start-up companies are among the riskiest equity investments. Broker-dealers who sell penny stocks must provide purchasers of these stocks with a standardized risk-disclosure document prepared by the SEC. The document provides information about penny stocks and the nature and level of risks involved in investing in the penny stock market. A broker must also provide purchasers with bid and offer quotations and information regarding broker and salesperson compensation and make a written determination that the penny stock is a suitable investment for the purchaser and obtain the purchaser's written agreement to the purchase. Many brokers choose not to participate in penny stock transactions. Because of the penny stock rules, there may be less trading activity in penny stocks in any market that develops for our common stock in the future and stockholders are likely to have difficulty selling their shares.

If the price of our stock is likely to be volatile, purchasers of our common stock could incur substantial losses.

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

- Results of clinical trials of our product candidates or those of our competitors.
- Our entry into or the loss of a significant collaboration.
- Regulatory or legal developments in the United States and other countries, including changes in the health care payment systems.
- Variations in our financial results or those of companies that are perceived to be similar to us.
- Changes in the structure of healthcare payment systems.
- Market conditions in the pharmaceutical and biotechnology sectors and issuance of new or changed securities analysts' reports or recommendations.
- General economic, industry and market conditions.
- Results of clinical trials conducted by others on drugs that would compete with our product candidates.
- Developments or disputes concerning patents or other proprietary rights.
- Public concern over our product candidates or any products approved in the future.
- Litigation.
- Future sales or anticipated sales of our common stock by us or our stockholders.
- The other factors described in this "Risk Factors" section.

For these reasons and others you should consider an investment in our common stock as risky and invest only if you can withstand a significant loss and wide fluctuations in the marked value of your investment.

We have never paid cash dividends on our capital stock and we do not anticipate paying any cash dividends in the foreseeable future. You should not invest in us if you require dividend income. Any income from an investment in us would only come from a rise in the market price of our common stock, which is uncertain and unpredictable.

We have paid no cash dividends on our capital stock to date. We currently intend to retain our future earnings, if any, to fund the development and growth of our business and do not foresee payment of a dividend in any upcoming fiscal period. In addition, the terms of existing or any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

A significant portion of our total outstanding shares of common stock is restricted from immediate resale but may be sold into the market in the near future. This could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares of common stock intend to sell shares, could reduce the market price of our common stock. Currently, approximately 2.5 million shares of our common stock may be resold in the public market and the remaining 6.1 million shares are currently restricted under securities laws.

If securities or industry analysts do not publish research or reports or publish unfavorable research about our business, the price of our common stock and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry analysts commence coverage of us the trading price for our common stock would be negatively affected. In the event we obtain securities or industry analyst coverage, if one or more of the analysts who covers us downgrades our common stock, the price of our common stock would likely decline. If one or more of these analysts ceases to cover us or fails to publish regular reports on us, interest in the purchase of our common stock could decrease, which could cause the price of our common stock or trading volume to decline.

We will incur increased costs as a result of being a public company.

As a public company, we will incur significant legal, accounting, reporting and other expenses that we did not incur as a private company, including costs related to compliance with the regulations of the Sarbanes-Oxley Act of 2002. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. We also expect these new rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, we may experience more difficulty attracting and retaining qualified individuals to serve on our board of directors or as executive officers. We cannot predict or estimate the amount of additional costs we may incur as a result of these requirements or the timing of such costs.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and investors' views of us.

We will be required to comply with Section 404 of the Sarbanes-Oxley Act. Section 404 of the Sarbanes-Oxley Act requires public companies to conduct an annual review and evaluation of their internal controls and attestations of the effectiveness of internal controls by independent auditors. Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that will need to be evaluated frequently. Our failure to maintain the effectiveness of our internal controls in accordance with the requirements of the Sarbanes-Oxley Act could have a material adverse effect on our business. We could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on the price of our common stock. In addition, if our efforts to comply with new or changed laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

The shares of common stock issued in the Merger are "restricted securities" and, as such, may not be sold except in limited circumstances.

None of the shares of common stock issued in the Merger have been registered under the Securities Act of 1933, as amended, or the Securities Act, or registered or qualified under any state securities laws. The shares of common stock issued in the Merger were sold and/or issued pursuant to exemptions contained in and under those laws. Accordingly, such shares of common stock are "restricted securities" as defined in Rule 144 under the Securities Act and must, therefore, be held indefinitely unless registered under applicable federal and state securities laws, or an exemption is available from the registration requirements of those laws. The certificates representing the shares of common stock issued in the Merger reflect their restricted status.

Rule 144 under the Securities Act, which permits the resale, subject to various terms and conditions, of limited amounts of restricted securities after they have been held for six months will not immediately apply to our common stock because we were at one time designated as a "shell company" under SEC regulations. Pursuant to Rule 144(i), securities issued by a current or former shell company that otherwise meet the holding period and other requirements of Rule 144 nevertheless cannot be sold in reliance on Rule 144 until one year after the date on which the issuer filed current "Form 10 information" (as defined in Rule 144(i)) with the SEC reflecting that it ceased being a shell company, and provided that at the time of a proposed sale pursuant to Rule 144, the issuer has satisfied certain reporting requirements under the Exchange Act. We believe this requirement to file Form 10 information has been satisfied by the filing of this report on Form 8-K. Because, as a former shell company, the reporting requirements of Rule 144(i) will apply regardless of holding period, the restrictive legends on certificates for the shares of common stock issued in the Merger cannot be removed except in connection with an actual sale that is subject to an effective registration statement under, or an applicable exemption from the registration requirements of, the Securities Act.

Additional risks may exist as a result of our becoming a public reporting company through a "reverse merger." Certain SEC rules are more restrictive when applied to reverse merger companies, such as the ability of stockholders to re-sell their shares of common stock pursuant to Rule 144. In addition, securities analysts of major brokerage firms may not provide coverage of our capital stock or business. Because we became a public reporting operating company through a reverse merger, there is no incentive to brokerage firms to recommend the purchase of our common stock. We cannot assure you that brokerage firms will want to provide analyst coverage of our capital stock or business in the future.

The sale, or availability for sale, of our common stock in the public market may adversely affect the prevailing market price of our common stock and may impair our ability to raise additional capital by selling equity or equity-linked securities.

Risks Related to the Development and Commercialization of Our Product Candidates

Retrophin is engaged in the licensing and marketing of drugs for rare diseases. Specifically, Retrophin has licensed rights to RE-021 from Ligand Pharmaceuticals, and will be required to make future milestone and royalty payments to Ligand and Bristol Myers Squibb.

Retrophin is engaged in the development of new drugs, which is characterized by extensive research efforts and rapid technological progress. There can be no assurance that research and discoveries by others will not render Retrophin's discovery programs noncompetitive or obsolete.

We will also depend on the success of our early product candidates RE-001, RE-021, and RE-024. RE-021 has not completed any clinical studies for the treatment of FSGS, and RE-001 and RE-024 are still in pre-clinical development. Clinical trials of our RE-001, RE-021, or RE-024 or subsequent product candidates may not be successful. If we are unable to commercialize RE-001 RE-021, or RE-024, or experience significant delays in doing so, our business may be materially harmed.

We have invested a significant portion of our efforts and financial resources in the development of our most advanced product candidates, RE-001 RE-021, and RE-024. Our ability to generate product revenue from these development stage compounds, which we do not expect will occur for at least the next several years, if ever, may depend heavily on the successful development and commercialization of these product candidates. The successful commercialization of our future product candidates will depend on several factors, including the following:

- Obtaining supplies of RE-001, RE-021, RE-024, and subsequent product candidates for completion of our clinical trials on a timely basis.
- Successful completion of pre-clinical and clinical studies.
- Obtaining marketing approvals from the United States Food and Drug Administration, or FDA, and similar regulatory authorities outside the United States.
- Establishing commercial-scale manufacturing arrangements with third party manufacturers whose manufacturing facilities are operated in compliance with current good manufacturing practice, or cGMP, regulations.
- Launching commercial sales of the product, whether alone or in collaboration with others.

- Acceptance of the product by patients, the medical community and third party payors.
- Competition from other companies.
- Successful protection of our intellectual property rights from competing products in the United States and abroad.
- A continued acceptable safety and efficacy profile of our product candidates following approval.

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

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

Each of the diseases that our current and future product candidates are being developed to address is relatively rare. Our projections of both the number of people who have these diseases, as well as the subset of people with these diseases who have the potential to benefit from treatment with our product candidates, and our assumptions on pricing are based on estimates.

Currently, most reported estimates of the prevalence of DMD, PKAN, and FSGS are based on studies of small subsets of the population of specific geographic areas, which are then extrapolated to estimate the prevalence of the diseases in the broader world population. As new studies are performed the estimated prevalence of these diseases may change. There can be no assurance that the prevalence of DMD, PKAN, or FSGS in the study populations accurately reflect the prevalence of these diseases in the broader world population. If our estimates of the prevalence of DMD, PKAN, or FSGS or of the number of patients who may benefit from treatment with RE-001, RE-021, and RE-024 prove to be incorrect, the market opportunities for our product candidates may be smaller than we believe they are, our prospects for generating revenue may be adversely affected and our business may suffer.

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

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

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

Any products that we bring to the market, including RE-001, RE-021, and RE-024---if they receive marketing approval ---may not gain market acceptance by physicians, patients, third party payors, and others in the medical community. If these products do not achieve an adequate level of acceptance, we may not generate significant product revenue and we may not become profitable. The degree of market acceptance of our product candidates, if approved for commercial sale, will depend on a number of factors, including:

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

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

Initial results from pre-clinical and clinical studies do not ensure that future clinical trials will be successful.

We will only obtain regulatory approval to commercialize product candidates if we can demonstrate to the satisfaction of the FDA, or applicable non-United States regulatory authorities, in well-designed and conducted clinical trials, that our product candidates are safe and effective and otherwise meets the appropriate standards required for approval for a particular indication. Clinical trials can be lengthy, complex and extremely expensive processes with uncertain results. A failure of one or more of our clinical trials may occur at any stage of testing. We have limited experience in conducting and managing the clinical trials necessary to obtain regulatory approvals, including approval by the FDA.

Our efforts to develop all of our product candidates are at an early stage. Success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful, and initial results from a clinical trial do not necessarily predict final results. For example, we have not begun pre-clinical evaluation of RE-001, and rely on external pre-clinical data for a closely related molecule. We cannot assure you that the pre-clinical data generated to date on TAT-µ-UTR will be representative of data for RE-001. Further, we have not identified a lead molecule in our RE-024 series of compounds, and we cannot be certain that a candidate suitable for a clinical study will ever be identified. We cannot assure you that any future clinical trials of RE-001, RE-021, or RE-024 will ultimately be successful.

Patients may not be compliant with their dosing regimen or trial protocols or they may withdraw from the study at any time for any reason. Even if our early stage clinical trials are successful, we will need to conduct additional clinical trials with larger numbers of patients receiving the drug for longer periods for all of our product candidates before we are able to seek approvals to market and sell these product candidates from the FDA and regulatory authorities outside the United States. To date, we are not aware of any product to treat DMD, PKAN, or FSGS that has been approved by the FDA. As a result, we cannot be sure what endpoints the FDA will require us to measure in later-stage clinical trials of our product candidates. If we are not successful in commercializing any of our development stage products, or are significantly delayed in doing so, our business may be materially harmed.

We have limited experience in conducting and managing the preclinical development activities and clinical trials necessary to obtain regulatory approvals, including approval by the FDA.

We have limited experience in conducting and managing the preclinical development activities and clinical trials necessary to obtain regulatory approvals, including approval by the FDA. We have not obtained regulatory approval nor commercialized this or any other product candidates. We are currently planning pre-clinical and eventual clinical studies for RE-001, RE-021 and RE-024. We have filed and received FDA clearance to begin a clinical study of RE-021 in FSGS, but have not filed INDs for RE-001 or RE-024. We cannot be certain that we will ever file INDs for either RE-001 or RE-024. Our limited experience might prevent us from successfully designing or implementing any clinical trials. We have limited experience in conducting and managing the application process necessary to obtain regulatory approvals and we might not be able to demonstrate that our product candidates meet the appropriate standards for regulatory approval. If we are not successful in conducting and managing our pre-clinical development activities or clinical trials or obtaining regulatory approvals, we might not be able to commercialize our developmental product candidates, or might be significantly delayed in doing so, which may materially harm our business.

We may find it difficult to enroll patients in our clinical trials.

Our lead development product candidates are intended to treat DMD, PKAN, and FSGS, which are rare diseases. Given that our lead development candidates are in the early stages of required testing, we may not be able to initiate or continue clinical trials if we are unable to locate a sufficient number of eligible patients willing and able to participate in the clinical trials required by the FDA or other non-United States regulatory agencies. Our inability to enroll a sufficient number of patients for any of our current or future clinical trials would result in significant delays or may require us to abandon one or more clinical trials altogether.

If our preclinical studies do not produce positive results, if our clinical trials are delayed, or if serious side effects are identified during drug development, we may experience delays, incur additional costs and ultimately be unable to commercialize our product candidates.

Before obtaining regulatory approval for the sale of our product candidates, we must conduct, at our own expense, extensive preclinical and clinical tests to demonstrate the safety of our product candidates in animals in humans. Preclinical and clinical testing is expensive, difficult to design and implement, and can take many years to complete. A failure of one or more of our preclinical studies or clinical trials can occur at any stage of testing. We may experience numerous unforeseen events during, or as a result of, preclinical testing and the clinical trial process that could delay or prevent our ability to obtain regulatory approval or commercialize our product candidates, including:

- Our preclinical tests or clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional preclinical testing or clinical trials or we may abandon projects that we expect to be promising.

- Regulators or institutional review boards may not authorize us to commence a clinical trial or conduct a clinical trial at a prospective trial site.

- Conditions imposed on us by the FDA or any non-United States regulatory authority regarding the scope or design of our clinical trials or may require us to resubmit our clinical trial protocols to institutional review boards for re-inspection due to changes in the regulatory environment.

- The number of patients required for our clinical trials may be larger than we anticipate or participants may drop out of our clinical trials at a higher rate than we anticipate.

- Our third party contractors or clinical investigators may fail to comply with regulatory requirements or fail to meet their contractual obligations to us in a timely manner.

- We might have to suspend or terminate one or more of our clinical trials if we, regulators or institutional review boards determine that the participants are being exposed to unacceptable health risks.

- Regulators or institutional review boards may require that we hold, suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements.

- The cost of our clinical trials may be greater than we anticipate.

- The supply or quality of our product candidates or other materials necessary to conduct our clinical trials may be insufficient or inadequate or we may not be able to reach agreements on acceptable terms with prospective clinical research organizations.

- The effects of our product candidates may not be the desired effects or may include undesirable side effects or the product candidates may have other unexpected characteristics

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

- Be delayed in obtaining, or may not be able to obtain, marketing approval for one or more of our product candidates.

- Obtain approval for indications that are not as broad as intended or entirely different than those indications for which we sought approval.

- Have the product removed from the market after obtaining marketing approval.

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

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

We face an inherent risk of product liability exposure related the testing of our product candidates in human clinical trials. We will face an even greater risk if we obtain new products for sales or win approval for any of our drugs in development. We may be exposed to product liability claims and product recalls, including those which may arise from misuse or malfunction of, or design flaws in, such products, whether or not such problems directly relate to the products and services we have provided. If we cannot successfully defend ourselves against claims that our product candidates or products caused injuries, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- Decreased demand for any product candidates or products that we may develop.

- Damage to our reputation.

- Regulatory investigations that could require costly recalls or product modifications.

- Withdrawal of clinical trial participants.
- Costs to defend the related litigation.
- Substantial monetary awards to trial participants or patients, including awards that substantially exceed our product liability insurance, which we would then be required to pay from other sources, if available, and would damage our ability to obtain liability insurance at reasonable costs, or at all, in the future.
- Loss of revenue.
- The diversion of management's attention from managing our business.
- The inability to commercialize any products that we may develop.

We have liability insurance policies for our clinical trials in the geographies in which we are conducting trials. The aggregate annual limit of coverage amount under these policies expressed in United States dollars is approximately $5.0 million, and these policies are also subject to per claim deductibles. The amount of insurance that we currently hold may not be adequate to cover all liabilities that we may incur. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost and we may not be able to obtain insurance coverage that will be adequate to satisfy any liability that may arise. On occasion, large judgments have been awarded in class action lawsuits based on drugs that had unanticipated side effects. A successful product liability claim or a series of claims brought against us could cause our stock price to fall and, if judgments exceed our insurance coverage, could decrease our available cash and adversely affect our business.

Our business activities involve the use of hazardous materials, which require compliance with environmental and occupational safety laws regulating the use of such materials. If we violate these laws, we could be subject to significant fines, liabilities or other adverse consequences.

Our research and development programs involve the controlled use of hazardous materials, including microbial agents, corrosive, explosive and flammable chemicals and other hazardous compounds in addition to certain biological hazardous waste. Ultimately, the activities of our third party product manufacturers when a product candidate reaches commercialization will also require the use of hazardous materials. Accordingly, we are subject to federal, state and local laws governing the use, handling and disposal of these materials. Although we believe that our safety procedures for handling and disposing of these materials comply in all material respects with the standards prescribed by local, state and federal regulations, we cannot completely eliminate the risk of accidental contamination or injury from these materials. In addition, our collaborators may not comply with these laws. In the event of an accident or failure to comply with environmental laws, we could be held liable for damages that result, and any such liability could exceed our assets and resources or we could be subject to limitations or stoppages related to our use of these materials which may lead to an interruption of our business operations or those of our third party contractors. While we believe that our existing insurance coverage is generally adequate for our normal handling of these hazardous materials, it may not be sufficient to cover pollution conditions or other extraordinary or unanticipated events. Furthermore, an accident could damage or force us to shut down our operations. Changes in environmental laws may impose costly compliance requirements on us or otherwise subject us to future liabilities and additional laws relating to the management, handling, generation, manufacture, transportation, storage, use and disposal of materials used in or generated by the manufacture of our products or related to our clinical trials. In addition, we cannot predict the effect that these potential requirements may have on us, our suppliers and contractors or our customers.

We may be unable to identify, acquire, close or integrate acquisition targets successfully.

Part of our business strategy includes acquiring and integrating complementary businesses, products, technologies or other assets, and forming strategic alliances, joint ventures and other business combinations, to help drive future growth. We may also in-license new products or compounds. Acquisitions or similar arrangements may be complex, time consuming and expensive. We may not consummate some negotiations for acquisitions or other arrangements, which could result in significant diversion of management and other employee time, as well as substantial out-of-pocket costs. In addition, there are a number of risks and uncertainties relating to our closing transactions. If such transactions are not completed for any reason, we will be subject to several risks, including the following: (i) the market price of our common shares may reflect a market assumption that such transactions will occur, and a failure to complete such transactions could result in a negative perception by the market of us generally and a decline in the market price of our common shares; and (ii) many costs relating to the such transactions may be payable by us whether or not such transactions are completed.

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

- Integrating personnel, operations and systems, while maintaining focus on producing and delivering consistent, high quality products.
- Coordinating geographically dispersed organizations.
- Distracting employees from operations.
- Retaining existing customers and attracting new customers.
- Managing inefficiencies associated with integrating the operations of the Company.

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

Risks Related to Regulatory Approval of Our Product Candidates

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

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

Our product candidate and the activities associated with its development and commercialization, including testing, manufacture, safety, efficacy, recordkeeping, labeling, storage, approval, advertising, promotion, sale and distribution, are subject to comprehensive regulation by the FDA and other regulatory agencies in the United States and by comparable authorities in other countries. Failure to obtain regulatory approval for a product candidate will prevent us from commercializing the product candidate in the jurisdiction of the regulatory authority. We have not obtained regulatory approval to market any of our product candidates in any jurisdiction. We have only limited experience in filing and prosecuting the applications necessary to obtain regulatory approvals and expect to rely on third party contract research organizations to assist us in this process.

Securing FDA approval requires the submission of extensive preclinical and clinical data and supporting information to the FDA for each therapeutic indication to establish the product candidate’s safety and efficacy. Securing FDA approval also requires the submission of information about the product manufacturing process to, and inspection of manufacturing facilities by, the FDA. Our future products may not be effective, may be only moderately effective or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude our obtaining regulatory approval or prevent or limit commercial use.

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

- Our failure to demonstrate to the satisfaction of the FDA or comparable regulatory authorities that a product candidate is safe and effective for a particular indication.
- The results of clinical trials may not meet the level of statistical significance required by the FDA or comparable regulatory authorities for approval.
- Our inability to demonstrate that a product candidate’s benefits outweigh its risks.
- Our inability to demonstrate that the product candidate presents an advantage over existing therapies.

- The FDA's or comparable regulatory authorities' disagreement with the manner in which we interpret the data from preclinical studies or clinical trials.

- The FDA's or comparable regulatory authorities' failure to approve the manufacturing processes, quality procedures or manufacturing facilities of third party manufacturers with which we contract for clinical or commercial supplies.

- A change in the approval policies or regulations of the FDA or comparable regulatory authorities or a change in the laws governing the approval process.

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

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

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

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

- Regulatory authorities may require the addition of restrictive labeling statements.

- Regulatory authorities may withdraw their approval of the product.

- We may be required to change the way the product is administered or conduct additional clinical trials.

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

Obtaining orphan status

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

Regulatory authorities in some jurisdictions, including the United States and Europe, may designate drugs for relatively small patient populations as orphan drugs. We expect to seek orphan drug designations from the FDA for RE-001, RE-021, and RE-024 though there can be no assurance that the FDA will grant orphan status. We also expect to seek drug designation from the European Medicines Agency, or EMEA, for RE-001, RE-021, and RE-024, and there can be no assurance that we will be successful. If we are unable to secure orphan status is either Europe or the United States it may have a material negative effect on our share price.

Generally, if a product with an orphan drug designation subsequently receives the first marketing approval for the indication for which it has such designation, that product is entitled to a period of marketing exclusivity, which precludes the applicable regulatory authority from approving another marketing application for the same drug for that time period. The applicable period is seven years in the United States and ten years in Europe. Obtaining orphan drug exclusivity for RE-001, RE-021, and RE-024 may be important to the product candidate's success. Even if we obtain orphan drug exclusivity for RE-001 for DMD, RE-021 for FSGS, and Re-024 for PKAN we may not be able to maintain it. For example, if a competitive product that treats same disease as our product candidate is shown to be clinically superior to our product candidate, any orphan drug exclusivity we have obtained will not block the approval of such competitive product and we may effectively lose what had previously been orphan drug exclusivity.

Other regulatory risks

Any product for which we obtain marketing approval could be subject to restrictions or withdrawal from the market and we may be subject to penalties if we fail to comply with regulatory requirements or if we experience unanticipated problems with our products, when and if any of them are approved.

Any product for which we obtain marketing approval, along with the manufacturing processes, post approval clinical data, labeling, advertising and promotional activities for such product, will be subject to continual requirements of and review by the FDA and comparable regulatory authorities. These requirements include submissions of safety and other post marketing information and reports, registration requirements, cGMP requirements relating to quality control, quality assurance and corresponding maintenance of records and documents, requirements regarding the distribution of samples to physicians and recordkeeping. Even if we obtain regulatory approval of a product, the approval may be subject to limitations on the indicated uses for which the product may be marketed or to the conditions of approval, or contain requirements for costly post marketing testing and surveillance to monitor the safety or efficacy of the product. We also may be subject to state laws and registration requirements covering the distribution of our products. Later discovery of previously unknown problems with our products, manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may result in actions such as:

- Restrictions on such products, manufacturers or manufacturing processes.
- Warning letters.
- Withdrawal of the products from the market.
- Refusal to approve pending applications or supplements to approved applications that we submit.
- Voluntary or mandatory recall.
- Fines.
- Suspension or withdrawal of regulatory approvals or refusal to approve pending applications or supplements to approved applications that we submit.
- Refusal to permit the import or export of our products.
- Product seizure or detentions.
- Injunctions or the imposition of civil or criminal penalties.
- Adverse publicity.

If we, or our suppliers, third party contractors, clinical investigators or collaborators are slow to adapt, or are unable to adapt, to changes in existing regulatory requirements or adoption of new regulatory requirements or policies, we or our collaborators may lose marketing approval for our products when and if any of them are approved, resulting in decreased revenue from milestones, product sales or royalties.

Uncertainty of Healthcare Reform Measures and Third Party Reimbursement

The business and financial condition of healthcare related businesses will continue to be affected by efforts of governments and third party payors to contain or reduce the cost of healthcare through various means. In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval for RE-001, RE-021, RE-024 or any other product candidate that Retrophin develops, restrict or regulate post-approval activities and affect Retrophin's ability to profitably sell RE-001, RE-021, RE-024 or any other product candidate for which it obtains marketing approval.

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

In the United States, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or the MMA, changed the way Medicare covers and pays for pharmaceutical products. As a result of this legislation and the expansion of federal coverage of drug products, Retrophin expects that there will be additional pressure to contain and reduce costs. These cost reduction initiatives and other provisions of this legislation could decrease the coverage and price that is received for any approved products and could seriously harm Retrophin's business. While the MMA applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates, and any reduction in reimbursement that results from the MMA may result in a similar reduction in payments from private payors.

More recently, in March 2010, President Obama signed into law the Health Care Reform Law, a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for healthcare and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms. Effective October 1, 2010, the Health Care Reform Law revises the definition of "average manufacturer price" for reporting purposes, which could increase the amount of Medicaid drug rebates to states once the provision is effective. Further, beginning in 2011, the new law imposes a significant annual fee on companies that manufacture or import branded prescription drug products. The full effects of the Health Care Reform Law will not be known until applicable federal and state agencies issue regulations or guidance under the new law. Although it is too early to determine the effect of the Health Care Reform Law, the new law appears likely to continue the pressure on pharmaceutical pricing, especially under the Medicare program, and may also increase regulatory burdens and operating costs.

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

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

- A covered benefit under its health plan.
- Safe, effective and medically necessary.

- Appropriate for the specific patient.
- Cost-effective.
- Neither experimental nor investigational.

Obtaining reimbursement approval for a product from each government or other third party payor is a time consuming and costly process that could require us to provide supporting scientific, clinical and cost effectiveness data for the use of our products to each payor. We may not be able to provide data sufficient to gain acceptance with respect to reimbursement or we might need to conduct post-marketing studies in order to demonstrate the cost-effectiveness of any future products to such payors' satisfaction. Such studies might require us to commit a significant amount of management time and financial and other resources. Even when a payor determines that a product is eligible for reimbursement, the payor may impose coverage limitations that preclude payment for some uses that are approved by the FDA or non-United States regulatory authorities. In addition, there is a risk that full reimbursement may not be available for high priced products. Moreover, eligibility for coverage does not imply that any product will be reimbursed in all cases or at a rate that allows us to make a profit or even cover our costs. Interim payments for new products, if applicable, may also not be sufficient to cover our costs and may not be made permanent. A primary trend in the United States healthcare industry and elsewhere is toward cost containment. We expect recent changes in the Medicare program and increasing emphasis on managed care to continue to put pressure on pharmaceutical product pricing. For example, the Medicare Prescription Drug Improvement and Modernization Act of 2003 provides a new Medicare prescription drug benefit that began in 2006 and mandates other reforms. While we cannot predict the full outcome of the implementation of this legislation, it is possible that the new Medicare prescription drug benefit, which will be managed by private health insurers and other managed care organizations, will result in additional government reimbursement for prescription drugs, which may make some prescription drugs more affordable but may further exacerbate industry wide pressure to reduce prescription drug prices. If one or more of our product candidates reaches commercialization, such changes may have a significant impact on our ability to set a price we believe is fair for our products and may affect our ability to generate revenue and achieve or maintain profitability.

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the results of operations and financial condition of Retrophin, our principal operating business, for the nine months ended September 30, 2012 and 2011 and for the fiscal years ended December 31, 2011 should be read in conjunction with the financial statements, and the notes to those financial statements, that are included in Item 9.01 of this Current Report on Form 8-K. Those statements in the following discussion that are not historical in nature should be considered to be forward looking statements that are inherently uncertain. Actual results and the timing of the events may differ materially from those contained in these forward looking statements due to a number of factors, including the disclosures set forth in this Item 2.01 to this Current Report on Form 8-K under the headings "Cautionary Note on Forward Looking Statements" and "Risk Factors", which are incorporated herein by reference. As used in this section, the terms "we", "our", "us" and the "Company" refer to the Company, our direct and indirect subsidiaries and Retrophin, our principal operating business.

Overview

We were incorporated February 8, 2008, as a subsidiary of American Merchant, our former parent company, American Merchant was originally incorporated on January 27, 2000, in Florida as Boats.com, Inc. On September 25, 2002 Boats.com, Inc. changed its name to AMDM.

During the fiscal period ended February 29, 2008, we consummated a reorganization which we refer to collectively as the "2008 Reorganization" pursuant to Section 1081(a) of the Oklahoma General Corporation Law, as a tax-free organization. On February 8, 2008, AMDM caused Desert Gateway to be incorporated in the State of Oklahoma, as a direct, wholly-owned subsidiary of AMDM and caused AMDS to also be incorporated in the State of Oklahoma, as a direct wholly-owned subsidiary of Desert Gateway. Under the terms of the Reorganization, AMDM was merged with and into AMDS pursuant to Section 1081(g) of the OGCL. Upon consummation of the Reorganization, each issued and outstanding share of AMDM Common Stock was converted into and exchanged for a share of common stock of Desert Gateway (on a share-for-share basis) having the same designations, rights, powers and preferences, and qualifications, limitations and restrictions as the shares of AMDM being converted. There was no spin-off and AMDM's corporate existence ceased. Under the 2008 Reorganization all American Merchant shareholders became shareholders of Desert Gateway in the same proportion. In conjunction with the 2008 Reorganization, AMDM concluded a downstream merger into the second subsidiary AMDS. All of AMDM's losses and net operating losses carried forward to AMDS. Following the Reorganization the Company was re-domiciled to Delaware. Since 2004 and prior to consummation of the domiciliary merger in 2008, neither American Merchant nor Desert Gateway had any existing operations.

To date and as of the date hereof, the Company can be defined as a "shell" company, an entity which is generally described as having no or nominal operations and with no or nominal assets or assets consisting solely of cash and cash equivalents. As a shell company, our sole purpose at this time is to locate and consummate a merger or acquisition with a private entity.

Since inception, Retrophin efforts and resources have been focused primarily on raising capital, acquiring and developing pharmaceutical products and recruiting personnel. Our lead product in development is RE-021, a small molecule intended to treat FSGS. We expect that a phase 2 clinical study of RE-021 to treat FSGS could begin in first half of 2013. We have a number of programs in preclinical development. Retrophin's focus is to seek treatment for serious, unmet, rare disease. FSGS, and others are orphan diseases affecting fewer than 200,000 patients in the United States and have profound impacts on sufferers.

The merger of a private operating company into a non-operating public shell corporation with nominal net assets is considered to be a capital transaction, in substance, rather than a business combination, for accounting purposes. Accordingly, the Company treated this transaction as a capital transaction without recording goodwill or adjusting any of its other assets or liabilities. The consideration in the amount of $200,000 paid to our former stockholders will be recorded as an "other expense" item and included in our net loss for the period ending December 31, 2012.

Our Company

Our results of operations discussed below reflect our operations during the period in which we are in development stage and starting up our operations. As a result, these results should not be considered indicative of our anticipated
results of operations on a going forward basis.

Results of Operations

The following discussion summarizes the key factors our management believes are necessary for an understanding of our financial statements.

Operating Expenses

For the period March 11, 2011 (inception) through December 31, 2011

Operating expenses were approximately $3.27 million for the period from March 11, 2011 through December 30, 2011, which consisted of (i) compensation and related costs of approximately $2.23 million which included approximately 86,000 shares of vested incentive shares granted to members and employees amounting to approximately $1.7 million, (ii) professional fees of approximately $0.91 million which included (a) approximately 12,000 shares of vested incentive shares granted to consultants amounting to approximately $0.26 million for services rendered; (b) research and development fees of approximately $0.35 million related to Retrophin's drug (RE-001) candidate for the treatment of Duchenne Muscular Dystrophy; (c) legal expense of approximately $0.10 million related to formation of the company, employment and consulting agreements and general corporate work; and (d) consulting fees of approximately $0.20 million related to outsourcing management roles, (iii) nine months rent expense of approximately $0.06 million, and (iv) the remaining balance of $0.07 million is related to travel and entertainment, depreciation, advertising and other operating expenses.

For the nine months ended September 30, 2012

Operating expenses were approximately $16.76 million for the nine months ended September 30, 2012, which consisted of (i) compensation and related costs of approximately $8.37 million which included approximately 293,000 shares of vested incentive shares granted to members and employees amounting to approximately $7.72 million, (ii) professional fees of approximately $8.05 million which included (a) approximately 142,000 shares of vested incentive shares granted to consultants amounting to approximately $6.3 million for services rendered; (b) research and development fees of approximately $0.27 million related to Retrophin's drug (RE-021 and RE-024) candidate for the treatment of FSGS and PKAN and evaluation of potential new technologies; (c) legal expense of approximately $0.80 million related to licensing an production acquisition, employment and consulting agreements and general corporate work; (d) consulting fees of approximately $0.60 million related to outsourcing management roles, and (e) accounting fees of approximately $0.08 million related to general accounting and audit work, (iii) nine months rent expense of approximately $0.06 million, and (iv) depreciation and amortization expense of approximately $0.07 million related to the Ligand licensing agreement and (v) the remaining balance of $0.20 million is related to travel and entertainment, advertising and other operating expenses.

For the period March 11, 2011 (inception) through September 30, 2011

Operating expenses were approximately $2.24 million for the period from March 11, 2011 through September 30, 2011, which consisted of (i) compensation and related costs of approximately $1.60 million which included approximately 58,000 shares of vested incentive shares granted to members and employees amounting to approximately $1.16 million, (ii) professional fees of approximately $0.55 million which included (a) approximately 6,000 shares of vested incentive shares granted to consultants amounting to approximately $0.13 million for services rendered; (b) research and development fees of approximately $0.24 million related to Retrophin's drug (RE-001) candidate for the treatment of Duchenne Muscular Dystrophy; (c) legal expense of approximately $0.09 million related to formation of the company, employment and consulting agreements and general corporate work; and (d) consulting fees of approximately $0.09 million related to outsourcing management roles, (iii) six months rent expense of approximately $0.05 million, and (iv) the remaining balance of $0.04 million is related to travel and entertainment, depreciation, advertising and other operating expenses.

For the period March 11, 2011 (inception) through September 30, 2012

Operating expenses were approximately $20.0 million during the period from March 11, 2011 through September 30, 2012. The largest factors impacting our operating expenses during the period related compensation and related costs of approximately $10.6 million and $9.0 million in professional fees which included stock base compensation of approximately $16.0 million, consisting of approximately 379,000 shares of vested incentive shares granted to members and employees amounting to approximately $9.4 million and approximately 155,000 shares of vested incentive shares granted to consultants amounting to approximately $6.5 million for services rendered. Operating expenses also included rent expenses of approximately $0.1 million, travel and entertainment of approximately $0.1million, depreciation and amortization expenses of approximately $0.1 million, and other expenses and advertising fees of approximately $0.1 million.

Other Operating Expenses

Other operating expenses for the period March 11, 2011 (inception) through December 31, 2011, for the nine months ended September 30, 2012, for the period March 11, 2011 (inception) through September 30, 2011 and for the period March 11, 2011 (inception) through September 30, 2012 were as follows: (i) approximately $5,000 which is related to a loss in foreign exchange in a vendor payment, (ii) approximately $55,000 of which approximately $16,000 of interest income related to $200,000 note receivable with an interest rate of 12% per annum offset by approximately $71,000 of interest expense relate to a $900,000 note payable with an interest rate of 12% per annum, (iii) approximately $5,000 which is related to a loss in foreign exchange in a vendor payment and (iv) approximately $59,000 of which approximately $5,000 related to a loss in foreign exchange in a vendor payment, approximately $16,000 of interest income related to $200,000 note receivable with an interest rate of 12% per annum offset by approximately $71,000 of interest expense relate to a $900,000 note payable with an interest rate of 12% per annum.

Income Taxes

As a limited liability company, we were treated as a partnership for the purposes of U.S. federal and most applicable state and local income tax during the start-up period from March 11, 2011 through September 21, 2012. Accordingly, no provision was been made for U.S. federal and state income taxes in the accompanying financial statements, since all items of income or loss were required to be reported on the income tax returns of the members, who are responsible for any taxes thereon.

Impact of Inflation

The impact of inflation upon our revenue and income/(loss) from continuing operations during each of the past two fiscal years has not been material to our financial position or results of operations for those years because we have no products for sale and do not maintain any inventories whose costs are affected by inflation.

Net Loss

For the period March 11, 2011 (inception) through December 31, 2011, for the nine months ended September 30, 2012, for the period March 11, 2011 (inception) through September 30, 2011 and for the period March 11, 2011 (inception) through September 30, 2012, our net loss from operation were approximately $3.27 million, $16.81 million, $2.25 million and $20.08 million, respectively.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Liquidity and Capital Resources

Management believes that we will continue to incur losses for the foreseeable future. Therefore we will either need additional equity or debt financing, or by entering into strategic alliances on products in development to sustain our operations until we can achieve profitability and positive cash flows from operating activities, if ever.

Our continued operations will depend on whether we can successfully or raise additional funds through equity and/or debt financing. Such additional funds may not become available on acceptable terms, if at all, and we cannot assure you that any additional funding we do obtain will be sufficient to meet our needs in the long term. Through September 2012, we raised approximately $4.6 million through capital contributions and notes payable from Retrophin shareholders and related parties.

Since our inception in 2011, we have generated losses from operations and we anticipate that we will continue to generate losses from operations for the foreseeable future. As of September 30, 2012 and December 31, 2011, our stockholders' deficit was approximately $969,000 and $536,000, respectively. Our net loss from operations for the period March 11, 2011 (inception) through December 31, 2011, for the nine months ended September 30, 2012, for the period March 11, 2011 (inception) through September 30, 2011 and for the period March 11, 2011 (inception) through September 30, 2012 were approximately $3.27 million, $16.81 million, $2.25 million and $20.08 million, respectively. Net cash used in operating activities were $785,747, $2,088,811 and $$2,874,558 for the period March 11, 2011 (inception) through December 31, 2011, for the nine months ended September 30, 2012, and for the period March 11, 2011 (inception) through September 30, 2012, respectively. Operations since inception have been funded with the proceeds from equity and debt financings and limited sales activity. As of September 30, 2012, we had cash, cash equivalents of approximately $2,189. We anticipate that our existing capital resources will not be sufficient for us to continue operations beyond December 2012 without additional funding. We will continue to fund operations from cash on hand and through the similar sources of capital previously described. We can give no assurance that such capital will be available to us on favorable terms or at all. If we are unable to raise additional funds in the future on acceptable terms, or at all, we may be forced to curtail our desired development. In addition we could be forced to delay or discontinue product development, and forego attractive business opportunities. Any additional sources of financing will likely involve the sale of our equity securities, which will have a dilutive effect on our stockholders.

Cash Flows from Operating Activities

Operating activities used approximately $2.1 million of cash during the nine months ended September 30, 2012 compared to $0.8 million from the period March 11, 2011 through December 31, 2011, the increase of approximately $1.3 million was primarily the result of the increase in net loss of approximately $13.5 million due to the significant expenses we incurred mainly for stock base compensation, compensation expense, and professional fees, offset by non-cash charges of $12.0 million as well as a net change of approximately $0.7 million in our accounts payable and accrued expenses. Non-cash charges consisted of stock base compensation granted to employees and consultants for services render in the amount of $6.0 million and $6.0 million, respectively. The net change in our operating assets and liabilities was primarily the result of approximately $0.4 million of accrued compensation expense.

Cash Flows from Investing Activities

Cash used in investing activities for the nine months ended September 30, 2012 was approximately $1.6 million, compared to approximately $0.13 million from the period March 11, 2011 through December 31, 2011, the increase of approximately $1.6 million was primarily the result of $1.2 million to purchase intangible assets, primarily related to RE-021 sublicense from Ligand.

Cash Flows from Financing Activities

For the nine months ended September 30, 2012, financing activities provided approximately $3.6 million, compared to proceeds of approximately $0.8 million from the period March 11, 2011 through December 31, 2011, increase of approximately $2.8 million was primarily as a result approximately $2.0 million of proceeds from the private sale of our equity securities and approximately $0.9 million of proceeds from related parties' notes payable.

Plan of Operation

Our plan of operation for the years ending December 31, 2011 and 2012 is to continue implementing our business strategy, including the clinical development of our three drug candidates, focusing primarily on the development of RE-021 for the treatment of FSGS. We also intend to expand our drug product portfolio by acquiring additional drugs for marketing or development. We expect our principal expenditures during the next 12 months to include:

- Operating expenses, including expanded research and development and general and administrative expenses.
- Product development expenses, including the costs incurred with respect to applications to conduct clinical trials in the United States for our three products and the costs of ongoing and planned clinical trials.

As part of our planned expansion, we anticipate hiring up to fifteen additional full-time employees for research and development activities and up to five additional full-time employees for general and administrative activities. In addition, we intend to use clinical research organizations and third parties to perform our clinical studies and manufacturing. At our current and desired pace of commercialization and clinical development of our drugs, during the remaining weeks of 2012 through 2013, we expect to spend approximately $5 million on clinical development and research and development activities, approximately $2 million on general and administrative expenses and approximately $0.5 million on facilities rent. Additionally, we expect to spend approximately $250,000 on capital expenditures. We cannot assure you these amounts will be sufficient to fund our operations over the course of the next two years and we may need to expend significantly greater amounts to accomplish our goals.

Research and Development Projects

RE-021. We plan to conduct a phase II clinical trial of RE-021 in patients with focal segmental glomerulosclerosis (FSGS) over the next 12-18 months, with reduction in proteinuria as the primary endpoint. We expect it will take at least three years to complete development and obtain FDA approval of RE-021 for any indication, and we may never obtain such approval. Currently, we anticipate that we will need to expend approximately an additional $6 to $8 million in development costs through yearend 2013 and at least an aggregate of approximately $25 to $35 million before we receive FDA approval for RE-021 for treatment of patients with FSGS.

RE-024. We intend to develop RE-024 as a potential treatment for pantothenate kinase-associated neurodegeneration (PKAN). RE-024 is a preclinical investigational program. In vitro testing of these molecules is underway, and we expect that in vivo evaluation will begin in early 2013. We plan to file the IND for RE-024 by 2014. We expect that it will take an additional five to seven years to complete development and obtain FDA approval of RE-024, if ever. Currently, we anticipate that we will need to expend approximately an additional $2 to $4 million in development costs on through yearend 2013 and at least an aggregate of approximately $30 to $50 million until we receive FDA approval for RE-024 should we choose to continue development.

RE-001. RE-001 is a recombinant, modified form of utrophin, a protein similar to the dystrophin protein that is missing in the muscles of DMD patients. RE-001 is a preclinical investigational program. Production scale-up the molecule is underway, and we expect that in vivo evaluation of clinical trial quality material may begin in 2013. Currently, we anticipate that we will need to expend approximately an additional $2 to $4 million in development costs through yearend 2013. We expect to initiate a Phase 1 clinical study of RE-001 in DMD patients by the end of 2014. We can provide no assurances that Retrophin can successfully start this study.

License Agreement Obligations

Ligand License

In February 2012, we entered into an agreement pursuant to which Ligand agreed to grant us a worldwide license for the development, manufacture and commercialization of RE-021 (DARA). Under the license agreement, Ligand is obligated to transfer to Retrophin certain information, records, regulatory filings, materials and inventory controlled by Ligand and relating to or useful for developing RE-021. We must use commercially reasonable efforts to develop and commercialize RE-021 in specified major market countries and other countries in which we believe it is commercially reasonable to develop and commercialize such products.

As consideration for the license, we are required to make substantial payments upon the achievement of certain milestones totaling up to $106.7 million, payable upon the achievement of certain milestones. Should we commercialize RE-021 or any products containing any of these compounds, we will be obligated to pay to Ligand an escalating annual royalty based on net sales of all such products. In the event that we sublicense any of these compounds to a third party, Retrophin shall pay to ligand a percentage of the financial consideration in addition to the milestone and royalty payments required. The license agreement contains other customary clauses and terms as are common in similar agreements in the industry.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of expenses for the periods presented. Judgments must also be made about the disclosure of contingent liabilities. Accordingly, actual results could differ significantly from those estimates. We believe the following discussion addresses the accounting policies that are necessary to understand and evaluate our reported financial results.

Share-Based Payments

We adopted authoritative accounting guidance which establishes standards for share-based transactions in which we receive consultants or employee's services in exchange for equity instruments, such as stock incentive awards. These authoritative accounting standards require that we expense the fair value of stock awards, as measured on the awards' grant date.

If factors change and we employ different assumptions in the application of the relevant accounting guidance in future periods, the compensation expense that we record may differ significantly from what we have recorded in the current period. There is a high degree of subjectivity involved when using fair value to estimate share-based compensation. Consequently, there is a risk that our estimates of the fair values of our share-based compensation awards on the grant dates may bear little resemblance to the actual values realized upon the vesting, expiration, early termination or forfeiture of those share-based payments. Stock incentive awards options may expire worthless or otherwise result in zero value as compared to the fair values originally estimated on the grant date and reported in our financial statements. Alternatively, value may be realized from these instruments that are significantly in excess of the fair values originally estimated on the grant date and reported in our financial statements.

Income Taxes

We follow FASB ASC 740, Income Taxes, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the asset will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The standard addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FASB ASC 740, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. FASB ASC 740 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. At the date of adoption, and as of September 30, 2012 and December 31, 2011, the Company does not have a liability for unrecognized tax uncertainties.

Our policy is to record interest and penalties on uncertain tax positions as income tax expense. As of September 30, 2012 and for fiscal year end December 31, 2011, we had no accrued interest or penalties related to uncertain tax positions.

Net loss per share

Basic net loss per common share is computed by dividing net loss applicable to common stockholders by the weighted average number of common shares outstanding during the periods presented as required by FASB ASC 260, Earnings Per Share.

Recently Issued Accounting Pronouncements

FASB issued the following accounting amendments:

In April 2010, the FASB issued amendments related to the revenue recognition method for milestone payments in research and development agreements. Under these amendments, entities can make an accounting policy election to recognize a payment that is contingent upon the achievement of a substantive milestone in its entirety in the period in which the milestone is achieved. The amendments are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010, which means such amendments will take effect beginning with the fiscal year starting on January 1, 2011. The adoption of this standard has not had a material impact on our financial position, cash flow or results of operations.

In October 2009, the FASB issued authoritative guidance for arrangements with multiple deliveries. The guidance will allow companies to allocate consideration from contractual arrangements in multiple deliverables arrangements in a manner that better reflects the economics of the transaction. The new guidance requires expanded qualitative and quantitative disclosures and is effective for fiscal years beginning on or after June 15, 2010. The adoption of this standard has not had a material impact on our financial position, cash flow or results of operations.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

In connection with the closing of the merger, Marcum LLP Certified Public Accountants, the independent registered public accounting firm for Retrophin prior to the merger, became the independent registered public accounting firm for us. On October 29, 2012, we filed a form 8-K with the Securities and Exchange Commission acknowledging the dismissal of Michael F. Cronin CPA as our independent registered public accounting firm due to the requirements of the Securities and Exchange Commission and the Public Company Accounting Oversight Board that lead and concurring reviewer partners cannot audit the same company for more than five consecutive years. Required disclosures relating to our dismissal of the former accountant as required under item 4.01, including the former accountants' letter of response to such dismissal, is incorporated herein by reference. The decision to appoint Marcum LLP was recommended, and subsequently approved, by our board of directors in connection with the Merger.

Quantitative and Qualitative Disclosures about Market Risk

Our primary exposure to market risk is related to changes in interest rates. As of December 4, 2012, we had cash, cash equivalents and short- term investments of approximately $0.2 million, consisting of money market funds, U.S. treasuries, certificates of deposit and cash equivalents. This exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because our investments are in short-term marketable securities. Our short-term investments are subject to interest rate risk and will fall in value if market interest rates increase. Due to the short-term duration of our investment portfolio and the low risk profile of our investments, an immediate 10 percent change in interest rates would not have a material effect on the fair market value of our portfolio. We have the ability to hold our short-term investments until maturity, and therefore we would not expect our operations results or cash flows to be affected by any significant degree by the effect of a change in market interest rates on our investments. We carry our investments based on publicly available information. We do not currently have any hard to value investment securities or securities for which a market is not readily available or active.

We are not subject to significant credit risk as this risk does not have the potential to materially impact the value of our assets and liabilities.

Properties

Our principal executive offices are located at 777 Third Avenue, Suite 22nd Floor, New York, NY10017.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth the number of shares of our common stock beneficially owned as of December 7, 2012 by (i) each person known by us to be the beneficial owner of more than 5% of the outstanding shares of our common stock, (ii) each of our directors and executive officers and (iii) all officers and directors as a group. Unless otherwise indicated in the table, the persons and entities named in the table have sole voting and sole investment power with respect to the shares set forth opposite the stockholder's name, subject to community property laws, where applicable. Unless otherwise noted below, the address of each stockholder below is c/o Retrophin, Inc., 777 Third Avenue, 22nd Floor, New York, NY 10017

Name and Address of Beneficial Owner	**Amount and Nature of Beneficial Ownership** [1]	**Percentage of Class** [2]
		%
Martin Shkreli[3] c/o Retrophin, Inc. 777 Third Avenue 22nd Floor New York, NY 10017	3,380,607	40.54%
Mr. Stephen Aselage [4] c/o Retrophin, Inc. 777 Third Avenue 22nd Floor New York, NY 10017	261,200	3.13%
Steve Richardson [5] c/o Retrophin, Inc. 777 Third Avenue 22nd Floor New York, NY 10017	98,055	1.18%
Robert Wilson	0	0%
All Current Officers and Directors as a Group [2]	3,739,862	44.85%

(1) Beneficial Ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. For each beneficial owner above, any options exercisable within 60 days have been included in the denominator.

(2) Based on 8,338,836 shares of Common Stock issued and outstanding at the Effective Time.

(3) Consists of 2,531,920 shares of Common Stock held directly by Mr. Shkreli and an aggregate of 848,687 shares of Common Stock held by MSMB Healthcare LP, MSMB Healthcare Investors LLC and MSMB Capital Management LP. Mr. Shkreli is the managing member of MSMB Healthcare Investors LLC, which is the general partner of MSMB Healthcare LP, and is the managing member of the general partner of MSMB Capital Management LP. Mr. Shkreli disclaims beneficial ownership of the shares held by MSMB Healthcare LP, MSMB Healthcare Investors LLC and MSMB Capital Management LP. As of the Effective Date, Mr. Shkreli serves as the Chief Executive Officer and a director of the Company.

(4) As of the Effective Date, Mr. Aselage serves as a director of the Company.

(5) As of the Effective Date, Mr. Richardson serves as a director of the Company.

MANAGEMENT AND DIRECTORS

EXECUTIVE OFFICERS AND DIRECTORS FOLLOWING THE MERGER

Effective December 17, 2012 Messrs. Shkreli, Aselage and Richardson became directors of the Company.

MARTIN SHKRELI, 29 was the founder of Retrophin, LLC (the predecessor of Retrophin, Inc.) and has been the President of Retrophin, Inc. since its formation and will become the Chief Executive Officer of the Company as of the Effective Date. Mr. Shkreli is also the founder and managing partner of MSMB Capital Management, a New York hedge fund firm founded in 2006 that manages a variety of partnerships. Prior to MSMB, Mr. Shkreli was employed at Intrepid Capital Management from 2004 to 2006 and previously at Cramer Berkowitz & Co, both of which are hedge fund firms based in New York. Mr. Shkreli is an experienced biotechnology and pharmaceutical industry investor, particularly in businesses with orphan drugs. Mr. Shkreli received his BBA from Baruch College. Mr. Shkreli was selected as a director because of his business and professional experience, including but not limited to his leadership of Retrophin in the early stages, private and public financings and a successful track record of identifying drug assets.

STEPHEN ASELAGE, 61 was the Chairman of the Board of Retrophin, Inc. since October 16, 2012 and will become the Chairman of the Board of the Company as of the Effective Date. Prior to joining Retrophin, Mr. Aselage served as the Executive Vice President and Chief Business Officer at BioMarin, a biotechnology company, from December 2009 through September 2012. And from June 2005 to December 2009, Mr. Aselage served as BioMarin's Senior Vice President of Global Commercial Development. From February 2004 to June 2005, Mr. Aselage served as Executive Vice President of Global Commercial Operations at Cell Therapeutics, a biotechnology company focused on cancer therapeutics. From September 2003 to January 2004, Mr. Aselage served as Senior Vice President of North American Sales and Marketing for Genzyme Corporation, a biotechnology company, following Genzyme's acquisition of Sangstat Medical Corporation where he had worked since February 1999. While at Sangstat, Mr. Aselage restructured the company's sales, marketing and medical affairs groups. From 1996 through 1999, Mr. Aselage served as Director of Sales and Marketing at Advanced Tissue Sciences, a biotechnology company. Earlier in his career, Mr. Aselage held a variety of sales and sales management positions at biotechnology and pharmaceutical companies including Rhône-Poulenc Rorer Pharmaceuticals (now Sanofi-Aventis), Genentech, Inc., and Bristol Laboratories, a biopharmaceutical company. Mr. Aselage holds a B.S. in biology from the University of Notre Dame. Mr. Aselage was selected as a director because of his business and professional experience, including but not limited to his leadership of BioMarin in drug commercialization, private and public financings and a successful turnaround of multiple businesses.

STEVE RICHARDSON, 58 was elected Manager of Retrophin, LLC (the predecessor of Retrophin, Inc.) in June 2011. Mr. Richardson is a Senior Advisor to The Boston Consulting Group, a global management consulting firm, a position he has held since early 2009. Previously Mr. Richardson spent over 30 years with American Express, most recently as Senior Vice President of Human Resources and Chief Talent Officer, where he served as a key advisor for major business transformation and enterprise-wide organizational change and restructuring. Mr. Richardson served as a Board member of United Way Worldwide from 2008 to 2010 and is currently a Senior Advisor to the Hidden Brain Drain Task Force, a task force focused on identifying, developing and promoting a second generation of corporate policies and practices that support the ambition, work and life needs of highly qualified talent across the divides of gender, generation and culture. Mr. Richardson was selected as a director due to his extensive experience in overseeing and advising growing companies and substantial experience in business transformation, global general management and recruiting talented management.

On December 17, in connection with the completion of the merger Robert Wilson and Gary Lyons resigned as directors of the Company. Neither Mr. Wilson nor Mr. Lyons served on any committees of the Company and there was no disagreement with either Mr. Wilson or Mr. Lyons prior to the resignation from the Board of Directors of the Company.

Compensation of Directors

We have not established a policy to provide compensation to our directors for their services in such capacity. Our board will consider developing such a policy in the future.

Employment Agreements with Executives

We do not have any Employment Agreements.

Compensation Committee Interlocks and Insider Participation

We do not have a compensation committee or a committee performing similar functions. All compensation matters are determined by our board of directors. We plan to have a compensation committee when we elect additional independent persons to our board of directors.

Terms of Office

Our directors and officers have been appointed for a one-year term or until their respective successors are duly elected and qualified or until their earlier resignation or removal in accordance with our bylaws.

Certain Relationships & Transactions

Officers

As described above, Martin Shkreli, our Chief Executive Officer, was the President of Retrophin prior to the Merger.

Significant Employees

As of the date hereof, we have no significant employees, other than our named executive officers.

Family Relationships

There are no family relationships among our directors or executive officers.

Involvement in Certain Legal Proceedings

To our knowledge, there have been no events under any bankruptcy act, no criminal proceedings and no federal or state judicial or administrative orders, judgments or decrees or findings, no violations of any federal or state securities law, and no violations of any federal commodities law material to the evaluation of the ability and integrity of any director (existing or proposed) or executive officer (existing or proposed) of the Company during the past ten (10) years.

Policies and Procedures for Review, Approval or Ratification of Transactions with Related Persons

We do not have any special committee, policy or procedure related to the review, approval or ratification of transactions with related persons that are required to be disclosed pursuant to Item 404(a) of Regulation S-K, other than as required by the Delaware General Corporation Law.

Director Independence

Our securities are not listed on a national securities exchange or on any inter-dealer quotation system which has a requirement that a majority of directors be independent. We evaluate independence by the standards for director independence set forth in the NASDAQ Marketplace Rules.

Under these rules, a director is not considered to be independent if he or she is also an executive officer or employee of the corporation. As a result, Messrs. Aselage and Shkreli would not be considered independent because they serve as executive officers of the Company. Our other director, Messrs Lyons and Richardson, would be considered independent under these rules.

Board of Directors' Meetings

During the fiscal year ended December 31, 2011, our board of directors did not meet and we did not hold an annual meeting. Our board conducted all of its business and approved all corporate action during the fiscal year ended December 31, 2011 by the unanimous written consent of its members, in the absence of formal board meetings.

Committees of the Board of Directors

Our board of directors performs the functions of the audit committee. We do not have a qualified financial expert at this time because we have not been able to hire a qualified candidate. Further, we believe that we have inadequate financial resources at this time to hire such an expert. We intend to continue to search for a qualified individual for hire.

Due to our small size and limited operations to date, we do not presently have a nominating committee, compensation committee or other committee performing similar functions. We have not adopted any procedures by which security holders may recommend nominees to our board, and we do not have a diversity policy.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and officers, and persons who beneficially own more than ten percent (10%) of our common stock, who are hereinafter collectively referred to as Reporting Persons, to file reports with the SEC of beneficial ownership and reports of changes in beneficial ownership of our common stock on Forms 3, 4 and 5. Reporting Persons are required by applicable SEC rules to furnish us with copies of all such forms filed with the SEC pursuant to Section 16(a) of the Exchange Act. To our knowledge, based solely on our review of the copies of the Forms 3, 4 and 5 received by us during the fiscal year ended December 31, 2011 and written representations that no other reports were required, we believe that all reports required to be filed by such persons with respect to the Company's fiscal year ended December 31, 2011 were timely filed.

Code of Ethics

We are reviewing a Code of Ethics and will provide it once it has been approved by our Board of Directors.

Board Leadership Structure and Role on Risk Oversight

Martin Shkreli currently serves as our Chief Executive Officer. Our board of directors is comprised of Messrs. Aselage, Shkreli and, Richardson with Mr. Aselage serving as Chairman. At present, we have determined this leadership structure is appropriate due to our small size and limited operations and resources.

We have no policy requiring the combination or separation of the Principal Executive Officer and Chairman roles and our governing documents do not mandate a particular structure. Our directors recognize that the leadership structure and the combination or separation of these leadership roles is driven by our needs at any point in time.

Our directors are exclusively involved in the general oversight of risks that could affect our business and they will continue to evaluate our leadership structure and modify such structure as appropriate based on our size, resources and operations.

Legal Proceedings

We are not aware of any material proceedings in which any of our directors, executive officers or affiliates, any owner of record or beneficially of more than 5% of our common stock, or any associate of any such director, officer, affiliate or security holder is a party adverse to us or any of our subsidiaries or has a material interest adverse to us.

Stockholder Communication with the Board of Directors

Stockholders may send communications to our board of directors by writing to Retrophin, Inc., 777 Third Avenue, 22nd Floor, New York, New York, 10017, Attention: Board of Directors.

Other Information

We are required to file periodic reports, proxy statements and other information with the SEC. You may read and copy this information at the Public Reference Room of the SEC, 100 F. Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also obtain a copy of these reports by accessing the SEC's website at http://www.sec.gov. You may also send communications to our board of directors at: Retrophin Inc., 777 Third Avenue, New York, New York 10017, Attention: Board of Directors.

Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters

We are a reporting company under the Exchange Act, and our public filings can be accessed at www.sec.gov. Our Common Stock is listed for quotation on the OTC Market (OTC.QB) under the trading symbol "RTRX.QB". There has been limited trading in our shares since they became eligible for trading on the OTC.QB during the third quarter of 2008.

The common stock is traded on the OTC QB under the symbol "RTRX"; however it is very limited Public Market for the common stock. As of December 17, 2012, 8,338,837 shares of common stock were outstanding. There is a limited trading market for our Common Stock at present and, according to the best information available to management, there has been no active trading activity for approximately three years.

Common Stock Market Prices

The following table sets forth, for the periods indicated, the high and the low closing sales price per share of our common stock as reported on the OTC.QB. For all periods prior to December 17, 2012, our stock traded under the symbol “DGTE.OB”.

Price Range	High	Low
Fiscal year ended February 29, 2012	$ .10	
First Quarter	$ .08	$ .04
Second Quarter	$ .15	$ .04
Third Quarter	$ .15	$ .10
Fiscal year ended February 28, 2013		
First Quarter	N/A	N/A
Second Quarter	N/A	N/A
Third Quarter	2.01	1.50
Fourth Quarter (through December 17, 2012)	7.69	1.50

Holders of Our Common Stock

As of December 1, 2012, there were 179 holders of record of the Company’s common stock.

Since inception we have not paid any dividends on our Common Stock. We currently do not anticipate paying any cash dividends in the foreseeable future on our Common Stock. Although we intend to retain our earnings, if any, to finance the exploration and growth of our business, our Board of Directors will have the discretion to declare and pay dividends in the future. Payment of dividends in the future will depend upon our earnings, capital requirements, and other factors, which our Board of Directors may deem relevant.

Description of Securities

The following statements are qualified in their entirety by reference to the detailed provisions of our certificate of incorporation and bylaws.

Capital Structure

We currently have authorized capital stock of 100,000,000 shares, of which 80,000,000 are designated as common stock, par value $0.0001 per share, and 20,000,000 shares are designated as preferred stock, par value $0.0001 per share. As of the closing of the Merger, 8,338,837 shares of our common stock and 0 shares of our preferred stock were issued and outstanding. As of December 1, 2012, there were 179 holders of record of our common stock.

Common Stock

The holders of our common stock are entitled to one vote per share on matters on which our stockholders vote. There are no cumulative voting rights. Subject to any preferential dividend rights of any outstanding shares of preferred stock, holders of our common stock are entitled to receive dividends, if declared by our board of directors, out of funds that we may legally use to pay dividends. Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all shares of our Common Stock that are present in person or represented by proxy. Holders representing 50 percent (50%) of our Common Stock issued, outstanding and entitled to vote, represented in person or by proxy, are necessary to constitute a quorum at any meeting of our stockholders. A vote by the holders of a majority of our outstanding shares is required to effectuate certain fundamental corporate changes such as liquidation, merger or an amendment to our Articles of Incorporation. If we liquidate or dissolve, holders of our common stock are entitled to share ratably in our assets once our debts and any liquidation preference owed to any then- outstanding preferred stockholders are paid. Our certificate of incorporation does not provide our common stock with any redemption, conversion or preemptive rights.

Preferred Stock

The Board of Directors of the Company has the authority to designate one or more series of preferred stock with such voting powers, if any, and with such rights, preferences and privileges as the Board of Directors shall determine.

Dividend Policy

In the past, we have not distributed earnings to stockholders. Any future decisions regarding dividends will be made by our board of directors. We currently intend to retain and use any future earnings for the development and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. Our board of directors has complete discretion on whether to pay dividends. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

Administration

Our board of directors does not currently have a compensation committee and, in the absence of such a committee, the board will administer the Plan. Subject to the terms of the Plan, the board will have complete authority and discretion to determine the terms of awards under the Plan.

Eligible Recipients

Any officer or other employee of the Company or its affiliates, or an individual that the Company or an affiliate has engaged to become an officer or employee, or a consultant or advisor who provides services to the Company or its affiliates, including a non-employee director of the Board, is eligible to receive awards under the Plan.

Grants

The Plan authorizes the grant to eligible recipients non-qualified stock options, incentive stock options, restricted stock awards, restricted stock units, performance grants intended to comply with Section 162(m) of the Internal Revenue Code of 1986, as amended, dividend equivalent awards, deferred stock awards, stock payment awards and stock appreciation rights.

Duration, Amendment, and Termination

The Board may amend, suspend or terminate the Plan without stockholder approval or ratification at any time or from time to time. No change may be made that increases the total number of shares of common stock reserved for issuance pursuant to incentive awards, unless such change is authorized by our stockholders within one year.

Recent Sales of Unregistered Securities

The following summarizes all sales of unregistered securities by us and Retrophin within the past three years:

On March 2011, in connection with Retrophin's formation, Retrophin issued an aggregate of 321,660 shares of its common stock to Martin Shkreli, our Founder and CEO, for aggregate consideration of $25,000.

As of December 10, 2012 Retrophin has issued 155,461 shares of its preferred stock to 28 investors in a private placement for aggregate consideration of approximately $4.4 million. All preferred stock that was sold to investors was converted into the Company's Common Stock in connection with the merger.

The sales of the securities identified above were made pursuant to privately negotiated transactions that did not involve a public offering of securities and, accordingly, we believe that these transactions were exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof and the rules promulgated thereunder. Each of the above-referenced investors in Retrophin's stock represented to Retrophin in connection with their investment that they were "accredited investors" (as defined by Rule 501 under the Securities Act) and were acquiring the shares for investment and not distribution, that they could bear the risks of the investment and could hold the securities for an indefinite period of time. The investors received written disclosures that the securities had not been registered under the Securities Act and that any resale must be made pursuant to a registration or an available exemption from such registration. All of the foregoing securities are deemed restricted securities for purposes of the Securities Act.

On December 10, 2012, in connection with the conversion of a Convertible Promissory Note, the Company issued 2,500,000 shares to the holder of such note.

Shares Eligible for Future Sale

As of December 17, 2012, we had outstanding 8,338,837 shares of common stock. Of these shares 5,838,837 are restricted securities under Rule 144, in that they were issued in private transactions not involving a public offering.

Restrictions on the Use of Rule 144 by Shell Companies or Former Shell Companies

Rule 144 is not available for the resale of securities initially issued by companies that are, or previously were, blank check companies like us, to their promoters or affiliates despite technical compliance with the requirements of Rule 144. Rule 144 also is not available for resale of securities issued by any shell companies (other than business combination-related shell companies) or any issuer that has been at any time previously a shell company. The SEC has provided an exception to this prohibition, however, if the following conditions are met:

- The issuer of the securities that was formerly a shell company has ceased to be a shell company.
- The issuer of the securities is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act.
- The issuer of the securities has filed all Exchange Act reports and materials required to be filed, as applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than Form 8-K reports.
- At least one year has elapsed from the time that the issuer filed current Form 10 type information with the SEC reflecting its status as an entity that is not a shell company.

As a result, none of our stockholders is currently able to sell shares of our common stock in reliance on Rule 144. Assuming we continue to meet the requirements set forth above, Rule 144 will become available to our stockholders one year after the date of this report. Our stockholders may currently resell their shares of our common stock only pursuant to a registration statement that has been declared effective under the Securities Act or pursuant to another exemption from registration.

Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law authorizes a corporation to grant, and authorizes a court to award, indemnity to officers, directors and other corporate agents. As permitted by Section 102(b)(7) of the Delaware General Corporation Law, the Company's certificate of incorporation includes a provision that eliminates the personal liability of its directors for breach of their fiduciary duty as directors, except that a director shall be liable to the extent provided by applicable law (i) for breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit. These indemnification provisions may be sufficiently broad to permit indemnification of the Company's officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act.

To the extent that indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling our Company pursuant to the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. If a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer or controlling person of our company in the successful defense of any action, suit or proceeding) is asserted by any of our directors, officers or controlling persons in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of that issue.

Delaware Anti-Takeover Statute

We are subject to Section 203 of the Delaware General Corporation Law. This statute regulating corporate takeovers prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for three years following the date that the stockholder became an interested stockholder, unless:

- Prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder.

- Upon completion of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding (a) shares owned by persons who are directors and also officers, and (b) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer.

- On or subsequent to the date of the transaction, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Generally, a business combination includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. An interested stockholder is any person who, together with such person's affiliates and associates (i) owns 15% or more of a corporation's voting securities or (ii) is an affiliate or associate of a corporation and was the owner of 15% or more of the corporation's voting securities at any time within the three year period immediately preceding a business combination of the corporation governed by Section 203. We expect the existence of this provision to have an anti-takeover effect with respect to transactions our board of directors does not approve in advance. We also anticipate that Section 203 may discourage takeover attempts that might result in a premium over the market price, once a market exists, for the shares of common stock held by our stockholders. In connection with the Merger, our board of directors determined that neither Martin Shkreli nor any stockholder of Retrophin would be deemed to be an interested stockholder.

Item 3.02. Unregistered Sales of Equity Securities.

The disclosures set forth in Item 2.01 above are hereby incorporated by reference into this Item 3.02.

Item 5.01. Changes in Control of Registrant.

The disclosures set forth in Item 2.01 above are hereby incorporated by reference into this Item 5.01.

Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

On December 17, 2012, our board of directors was reconstituted by the appointment of Stephen Aselage, Martin Shkreli and Steven Richardson with Mr. Aselage serving as Chairman of the Board, and the resignations of Robert Wilson from his role as Director, Chief Executive Officer and President and Gary Lyons from his role as Director.

At the closing of the Merger, our executive management team was also reconstituted and Mr. Wilson resigned from his position as the Company's President, Treasurer and Secretary. Upon the Effective Time, the following individuals (all of whom were officers of Retrophin prior to the Merger) took the positions set after their names: Martin Shkreli (Chief Executive Officer). Biographical and other information regarding these individuals is provided under the caption "Management and Directors" in Item 2.01 above, which is incorporated by reference into this Item 5.02.

Item 5.06. Change in Shell Company Status.

As described in Item 2.01 above, which are incorporated by reference into this Item 5.06, we ceased being a shell company (as defined in Rule 12b-2 under the Exchange Act) upon completion of the Merger.

Item 9.01. Financial Statements and Exhibits.

(a) As a result of its acquisition of Retrophin as described in Item 2.01, the registrant is filing herewith Retrophin's audited financial statements as of and for the fiscal year ended December 31, 2011 and its unaudited condensed financial statements as of and for the three and Nine months ended September 30, 2012 as Exhibit 99.1 to this current report.

(b) Unaudited pro forma condensed combined financial information as of and for the fiscal year ended December 31, 2011 and as of and for the nine months ended September 30, 2012 is attached as Exhibit 99.2 to this current report.

(c) Exhibits.

Exhibit	Description
2.1	Agreement and Plan of Merger, dated December 12, 2012, by and among Desert Gateway, Inc., a Delaware corporation, Desert Gateway Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of the Company, and Retrophin Inc., a Delaware corporation
10.1	Sublicense Agreement, dated February 16, 2012, by and among Ligand Pharmaceuticals Incorporated, a Delaware corporation, Pharmacopeia, Inc., a Delaware limited liability company, and Retrophin, LLC, a Delaware limited liability company *

99.1 Audited financial statements of Retrophin Inc. as of and for the fiscal year ended December 31, 2011 and unaudited condensed financial statements of Retrophin Inc. as of and for the three and nine months ended September 30, 2012

99.2 Unaudited Pro Forma Condensed Combined Financial Statements as of and for the fiscal year ended December 31, 2011 and as of and for the nine months ended September 30, 2012

99.3 Press Release dated December 18, 2012

* Confidential Treatment Requested by Registrant. Redacted Portion Filed Separately with Commission.

SIGNATURES

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

DESERT GATEWAY, INC.

Date: December 18, 2012

/s/ Martin Shkreli

Name: Martin Shkreli
Title: Chief Executive Officer

PLAN AND AGREEMENT OF MERGER

This **PLAN AND AGREEMENT OF MERGER** (the "Agreement"), is entered into on this 12th day of December, 2012, by and among Desert Gateway, Inc., a Delaware corporation ("DGTE"), Retrophin, Inc., a Delaware corporation ("Retrophin"), and Desert Gateway Acquisition Corp., a Delaware corporation ("Newco"), a wholly-owned subsidiary of DGTE.

WHEREAS, Newco is a corporation duly organized and validly existing under the laws of the State of Delaware, having been incorporated on the 10th day of December, 2012, and is a wholly owned subsidiary of DGTE, a corporation duly organized and validly existing under the laws of the State of Delaware, having been incorporated on the 7th day of February, 2008, and Retrophin is a corporation organized and validly existing under the laws of the State of Delaware, having been incorporated in September, 2012*;* and

WHEREAS, the respective Boards of Directors of DGTE, Retrophin, and Newco deem it advisable and in the best interests of DGTE, Retrophin, and Newco and their respective stockholders that Newco merge with and into Retrophin pursuant to this Agreement and the applicable provisions of the law of the State of Delaware (the "**Merger**"); and

WHEREAS, the Boards of Directors of DGTE, Retrophin, and Newco, respectively, have approved and adopted this Agreement as a plan of reorganization within the provisions of Section 368(a)(l)(A) and 368(a)(2)(E) of the Internal Revenue Code of 1986, as amended; and

NOW, THEREFORE in consideration of the premises and of the mutual agreements, representations, warranties, provisions, and covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

ARTICLE I
THE MERGER

Section 1.01. Delivery and Filing of Certificate of Merger; Effective Time of Merger. Newco and Retrophin will cause a Certificate of Merger in substantially the same form as Exhibit A attached hereto (the "Certificate of Merger") to be signed, verified and delivered to the Secretary of State of the State of Delaware as provided in Section 251 of the General Corporation Law of Delaware on the second business day (no Saturday, Sunday or legal holiday in Delaware being deemed to be a business day) following the day on which the last of the approvals required by each respective board of directors shall have been obtained, or such earlier or later date as may be mutually agreed to by Retrophin and DGTE. The time of the delivery to the Secretary of State referred to in the preceding sentence is herein referred to as the Time of Filing. The effective time of the Merger shall be the close of business on the day the Certificate of Merger shall have been filed by the Secretary of State of the State of Delaware. At the effective time of the Merger, the separate existence of Newco shall cease and Newco shall be merged with and into Retrophin. Newco and Retrophin are hereinafter sometimes referred to as the Constituent Corporations and Retrophin, the party to the Merger surviving the Merger, is hereinafter sometimes referred to as the Surviving Corporation.

Section 1.02. Certificate of Incorporation, Bylaws and Board of Directors of Surviving Corporation.

(a) At the effective time of the Merger, the Certificate of Incorporation of Retrophin shall become the Certificate of Incorporation of the Surviving Corporation and DGTE shall file a new Certificate of Incorporation in form and substance acceptable to Retrophin. Subsequent to the effective time of the Merger, the Certificate of Incorporation of Retrophin shall be the Certificate of Incorporation of the Surviving Corporation until changed as provided by law.

(b) At the effective time of the Merger the Bylaws of Retrophin shall become the Bylaws of the Surviving Corporation and DGTE shall approve new Bylaws in form and substance acceptable to Retrophin. Subsequent to the effective time of the Merger, the Bylaws of Retrophin shall be the Bylaws of the Surviving Corporation until they shall thereafter be duly amended.

(c) The names and addresses of the persons who shall constitute the Board of Directors of the Surviving Corporation and DGTE at the effective time of the Merger are as follows:

Name	Office
Stephen Aselage	Director
Martin Shkreli	Chief Executive Officer and Director”
Steven Richardson	Director
Gary Lyons	Director

all c/o Retrophin, Inc., 777 Third Avenue, 22nd Floor, New York NY 10017

unless, prior to the effective time of the Merger, any one or more of the persons named above shall refuse or become unable to serve, in which event the remaining persons named above shall be the directors of the Surviving Corporation and DGTE at the effective time of the Merger, and any vacancy occurring by reason of death, refusal or inability to serve shall be filled after the effective time of the Merger as provided in the Bylaws of the Surviving Corporation. The Directors of the Surviving Corporation and DGTE shall hold office subject to the provisions of the law of the State of Delaware and of the Certificate of Incorporation and Bylaws of the Surviving Corporation.

Section 1.03. Conversion and Exchange of Stock. The manner of converting the shares of common stock, par value $0.0001 per share, of Newco ("Newco Common Stock") issued and outstanding immediately prior to the effective time of the Merger into shares of common stock, par value $0.001 per share, of Retrophin ("Retrophin Common Stock"), the manner of converting the shares of Retrophin Common Stock issued and outstanding immediately prior to the effective time of the Merger into shares of common stock, par value $0.0001 per share (the “DGTE Common Stock”), of DGTE, and the manner of converting the shares of Series A Preferred Stock, par value $0.001 per share, of Retrophin (“Retrophin Series A Stock”) issued and outstanding immediately prior to the effective time of the Merger into shares of DGTE Common Stock shall be as follows:

(a) At the effective time of the Merger:

(1) Each share of Retrophin Common Stock issued and outstanding immediately prior to the effective time of the Merger shall, by virtue of the Merger and without any action on the part of the holder thereof, automatically be converted into five (5) fully paid and nonassessable shares of DGTE Common Stock. Any share of Retrophin Common Stock held in the treasury of Retrophin immediately prior to the effective time of the Merger shall not be converted into DGTE Common Stock but shall automatically be cancelled at the effective time of the Merger.

(2) Each share of Retrophin Series A Stock issued and outstanding immediately prior to the effective time of the Merger shall, by virtue of the Merger and without any action on the part of the holder thereof, automatically be converted into seven (7) fully paid and nonassessable shares of DGTE Common Stock. Any share of Retrophin Series A Stock held in the treasury of Retrophin immediately prior to the effective time of the Merger shall not be converted into DGTE Common Stock but shall automatically be cancelled at the effective time of the Merger.

(3) Each share of Newco Common Stock issued and outstanding immediately prior to the effective date of the Merger shall, by virtue of the Merger and without any action on the part of the holder thereof, automatically be converted into one fully paid and nonassessable share of Retrophin Common Stock. Each share of Newco Common Stock held in the treasury of Newco at the effective time of the Merger shall automatically be cancelled.

Section 1.04. Certain Information with Respect to Capital Stock of Retrophin and Newco. The respective designations and numbers of outstanding shares and voting rights of each class of outstanding capital stock of Retrophin and Newco are as follows:

(a) As of the date of this Agreement, the authorized capital stock of Retrophin consisted of (1) eight million (8,000,000) shares of Retrophin Common Stock, of which 825,119 shares of Retrophin Common Stock are issued and outstanding and 111,283 shares of Retrophin Common Stock are subject to vesting, and (2) three million (3,000,000) shares of preferred stock, par value $0.001 per share (the "Retrophin Series A Stock"), of which 151,461 shares are issued and outstanding. No shares of such capital stock are held in the treasury of Retrophin. The number of outstanding shares of capital stock of Retrophin may not be changed prior to the effective time of the Merger. The holders of Retrophin Common Stock and Retrophin Series A Stock are entitled to vote as one class upon this Agreement.

(b) As of the date of this Agreement, the authorized capital stock of Newco consisted of 1,000 shares, par value $0.0001 per share, of Newco Common Stock, all of which were issued and outstanding. The holder of Newco Common Stock is entitled to vote upon this Agreement.

Section 1.05.Effect of Merger. Except as herein specifically set forth, the identity, existence, purposes, powers, objects, franchises, privileges, rights, and immunities of Retrophin shall continue unaffected and unimpaired by the Merger and the corporate franchises, existence and rights of Newco shall be merged into Retrophin and Retrophin shall, as the Surviving Corporation and as a wholly owned subsidiary of DGTE, be fully vested therewith. At the effective time of the Merger, the separate existence of Newco shall cease, and in accordance with the terms of this Agreement the Surviving Corporation shall possess all the rights, privileges, powers, and franchises, as well of a public as of a private nature, and be subject to all the restrictions, disabilities, and duties, of each of the Constituent Corporations, and all and singular, the rights, powers, and franchises and all property, real, personal, and mixed, and all debts due on whatever account, including stock subscriptions, and all other things in action and all and every other interest of or belonging to or due to each of the Constituent Corporations shall be taken and deemed to be transferred to and vested in the Surviving Corporation without further act or deed; and all property, rights, privileges, powers, and franchises and all and every other interest shall be thereafter as effectually the property of the Surviving Corporation as they were of the respective Constituent Corporations; and the title to any real estate, or interest therein, whether by deed or otherwise, under the laws of Delaware vested in either of said corporations, shall not revert or be in any way impaired by reason of the Merger. The Surviving Corporation shall thenceforth be responsible and liable for all the liabilities and obligations of the Constituent Corporations, and any claim existing or action or proceeding pending by or against either of said Constituent Corporations may be prosecuted as if the Merger had not taken place, or the Surviving Corporation may be substituted in its place. Neither the rights of creditors nor any liens upon the property of either of the Constituent Corporations shall be impaired by the Merger, and all debts, liabilities, and duties of each of said Constituent Corporations shall attach to the Surviving Corporation, and may be enforced against it to the same extent as if said debts, liabilities, and duties had been incurred or contracted by it.

ARTICLE II
REPRESENTATIONS, COVENANTS, AND WARRANTIES OF NEWCO

As an inducement to, and to obtain the reliance of Retrophin, except as set forth in the Schedules of Newco attached hereto (the "**Newco Disclosure Schedules**"), Newco hereby represents and warrants to Retrophin as of the Closing Date (as defined below) as follows. As used herein, the term "**knowledge of Newco**" or similar language refers to the actual knowledge of the executive officers of Newco.

Section 2.01. Incorporation. Newco is organized under the laws of the jurisdiction set forth in Schedule 2.01 to the Newco Disclosure Schedules, is duly formed or organized, validly existing and in good standing under the laws of its jurisdiction of organization and has the requisite power and authority to own, lease and operate its assets and properties and to carry on a business. Newco is in possession of all governmental or third party approvals necessary to own, lease and operate the properties it purports to own, operate or lease, to carry on its business as it is now being conducted, to consummate the transactions contemplated by this Agreement. Newco is not in violation of any of the provisions of its charter or organizational documents. The ownership records (which have been delivered to Retrophin) of Newco's registered capital are true, complete and accurate records of such ownership as of the date of such records and contain all transfers of such registered capital since the time of Newco's organization. Newco is not required to qualify to do business as a foreign corporation in any other jurisdiction, except where the failure to so qualify would not have a material adverse effect on: (i) the assets, liabilities, results of operations, condition (financial or otherwise) or business of Newco taken as a whole; or (ii) the ability of Newco to perform its obligations hereunder, but, to the extent applicable, shall exclude any circumstance, change or effect to the extent resulting or arising from: (A) any change in general economic conditions in the industries or markets in which Newco operates so long as Newco is not disproportionately (in a material manner) affected by such changes; (B) national or international political conditions, including any engagement in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack so long as Newco is not disproportionately (in a material manner) affected by such changes; (C) changes in United States generally accepted accounting principles, or the interpretation thereof; or (D) the entry into or announcement of this Agreement, actions contemplated by this Agreement, or the consummation of the transactions contemplated hereby (a "**Material Adverse Effect**").

Section 2.02. Capitalization. The authorized shares of Newco consists of 10,000,000 shares of Newco Common Stock. There are 1,000 shares of Newco Common Stock currently issued and outstanding. The issued and outstanding shares of Newco Common Stock are validly issued, fully paid and non-assessable and not issued in violation of the preemptive or other rights of any person.

Section 2.03. Subsidiaries. Except as set forth on Schedule 2.03 to the Newco Disclosure Schedules, Newco does not have any subsidiaries, and does not own, beneficially or of record, any shares of any other entity.

Section 2.04. Financial Statements. There are no financial statements of Newco having been prepared since its inception to date. Newco has transacted no business, nor incurred any debt or conducted any operations.

Section 2.05. Information. The information concerning Newco set forth in this Agreement and the Newco Disclosure Schedules is complete and accurate in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact required to make the statements made, in light of the circumstances under which they were made, not misleading.

Section 2.06. Options or Warrants. There are no existing options, warrants, calls, or commitments of any character relating to the authorized and unissued stock of Newco.

Section 2.07. Absence of Certain Changes or Events. Except as disclosed in the Newco Disclosure Schedules since inception:

(a) There has not been any material adverse change in the business, operations, properties, assets, or condition (financial or otherwise) of Newco;

(b) Newco has not: (i) amended its certificate of incorporation, charter, bylaws or other organizational documents; (ii) declared or made, or agreed to declare or make, any payment of dividends or distributions of any assets of any kind whatsoever to stockholders or purchased or redeemed, or agreed to purchase or redeem, any of its shares; (iii) made any material change in its method of management, operation or accounting, (iv) entered into any other material transaction other than sales in the ordinary course of its business; or (v) made any increase in or adoption of any profit sharing, bonus, deferred compensation, insurance, pension, retirement, or other employee benefit plan, payment, or arrangement made to, for, or with its officers, directors, or employees; and

(c) Newco has not: (i) granted or agreed to grant any options, warrants or other rights for its stocks, bonds or other corporate securities calling for the issuance thereof, (ii) borrowed or agreed to borrow any funds or incurred, or become subject to, any material obligation or liability (absolute or contingent) except as disclosed herein and except liabilities incurred in the ordinary course of business; (iii) sold or transferred, or agreed to sell or transfer, any of its assets, properties, or rights or canceled, or agreed to cancel, any debts or claims; or (iv) issued, delivered, or agreed to issue or deliver any stock, bonds or other corporate securities including debentures (whether authorized and unissued or held as treasury stock) except in connection with this Agreement and the transaction contemplated hereby.

Section 2.08. Litigation and Proceedings. There are no actions, suits, proceedings, or investigations pending or, to the knowledge of Newco after reasonable investigation, threatened by or against Newco or affecting Newco or their respective properties, at law or in equity, before any court or other governmental agency or instrumentality, domestic or foreign, or before any arbitrator of any kind. Newco has no knowledge of any material default on its part with respect to any judgment, order, injunction, decree, award, rule, or regulation of any court, arbitrator, or governmental agency or instrumentality or of any circumstances which, after reasonable investigation, would result in the discovery of such a default.

Section 2.09. Contracts. Newco is not a party to, and not of its assets or properties are bound by, any contracts, agreements, franchises, license agreements, debt instruments or other commitments, whether oral or written.

Section 2.10. No Conflict With Other Instruments. The execution of this Agreement and the consummation of the transactions contemplated by this Agreement will not result in a violation of, breach of any term or provision of, constitute a default under, or terminate, accelerate or modify the terms of (i) Newco's certificate of incorporation, charter, bylaws or other organizational documents, (ii) any provision of a federal or state statute, rule or regulation applicable to Newco or (iii) any Material Contract to which Newco is a party or to which any of its assets, properties or operations are subject.

Section 2.11. Compliance With Laws and Regulations. To the best of its knowledge, Newco has complied with all applicable statutes and regulations of any federal, state, local, or other governmental entity or agency thereof, except to the extent that noncompliance would not have a Material Adverse Effect.

Section 2.12. Approval of Agreement. The Board of Directors of Newco has authorized the execution and delivery of this Agreement by Newco and has approved this Agreement and the transactions contemplated hereby.

Section 2.13. Valid Obligation. All corporate action on the part of Newco, its officers, directors and holders of capital stock necessary for the authorization, execution and delivery of this Agreement and the performance of all obligations of Newco hereunder have been taken. This Agreement and all agreements and other documents executed by Newco in connection herewith constitute the valid and binding obligation of Newco, enforceable in accordance with its or their terms, except as may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally and subject to the qualification that the availability of equitable remedies is subject to the discretion of the court before which any proceeding therefore may be brought.

ARTICLE III
REPRESENTATIONS, COVENANTS, AND WARRANTIES OF DGTE

As an inducement to, and to obtain the reliance of Retrophin, except as set forth in the Schedules of DGTE attached hereto (the "**DGTE Schedules**"), DGTE hereby represents and warrants to Retrophin, as of the date hereof and as of the Closing Date, as follows. As used herein, the term "**knowledge of DGTE**" or similar language refers to the actual knowledge of the executive officers of DGTE after due investigation or inquiry.

Section 3.01. Organization. DGTE is a corporation duly organized, validly existing, and in good standing under the laws of Delaware and has the corporate power and is duly authorized under all applicable laws, regulations, ordinances, and orders of public authorities to carry on its business in all material respects as it is now being conducted. Attached as Schedule 3.01 to DGTE Schedules are complete and correct copies of the certificate of incorporation and bylaws of DGTE as in effect on the date hereof. The execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby will not, violate any provision of DGTE's certificate of incorporation, bylaws, contracts, agreements or commitments. DGTE has taken all action required by law, its certificate of incorporation, its bylaws, or otherwise to authorize the execution and delivery of this Agreement, and DGTE has full power, authority, and legal right and has taken all action required by law, its certificate of incorporation, bylaws, or otherwise to consummate the transactions herein contemplated.

Section 3.02. Capitalization.

(a) DGTE's authorized capitalization consists of (a) 100,000,000 shares of DGTE Common Stock, of which 2,606,681 shares are issued and outstanding prior to the Merger, and (b) 20,000,000 shares of preferred stock, of which 501 shares of Class A, par value $0.001 per share (the "DGTE Preferred Stock") are issued and outstanding, but will be canceled by separate agreement with the holder concurrent with the Closing. All issued and outstanding shares of DGTE Common Stock are legally issued, fully paid, and non-assessable and not issued in violation of the preemptive or other rights of any person or entity. As of the date hereof and the Closing Date, no shares of DGTE Common Stock were reserved for issuance upon the exercise of outstanding options or warrants to purchase the DGTE Common Stock or other equity-linked securities of DGTE. All outstanding shares of DGTE Common Stock have been issued and granted in compliance with: (i) all applicable securities laws and (in all material respects) other applicable laws and regulations, and (ii) all requirements set forth in any material contracts, agreements, franchises, license agreements, debt instruments or other commitments to which DGTE is a party or by which it or any of its assets or properties are bound, all of which are set forth on Schedule 3.02 to DGTE Disclosure Schedules (the "**Company Material Contracts**").

(b) There are no equity securities, partnership interests or similar ownership interests of any class of any equity security of DGTE, or any securities exchangeable or convertible into or exercisable for such equity securities, partnership interests or similar ownership interests, issued, reserved for issuance or outstanding. There are no subscriptions, options, warrants, equity securities, partnership interests or similar ownership interests, calls, rights (including preemptive rights), commitments or agreements of any character to which DGTE is a party or by which it is bound obligating DGTE to issue, deliver or sell, or cause to be issued, delivered or sold, or repurchase, redeem or otherwise acquire, or cause the repurchase, redemption or acquisition of, any shares of capital stock, partnership interests or similar ownership interests of DGTE or obligating DGTE to grant, extend, accelerate the vesting of or enter into any such subscription, option, warrant, equity security, call, right, commitment or agreement. There is no plan or arrangement to issue DGTE Common Stock or preferred stock of DGTE except as set forth in this Agreement. DGTE has delivered evidence in form and substance acceptable to Retrophin that all securities convertible into or exchangeable for shares of DGTE Common Stock have been converted and/or exchanged, as applicable, prior to the Closing Date.

(c) Except as contemplated by this Agreement and except as set forth in Schedule 3.02 to DGTE Disclosure Schedules, there are no registration rights, and there is no voting trust, proxy, rights plan, anti-takeover plan or other agreement or understanding to which DGTE is a party or by which it is bound with respect to any equity security of any class of DGTE, and there are no agreements to which DGTE is a party, or which DGTE has knowledge of, which conflict with this Agreement or the transactions contemplated herein or otherwise prohibit the consummation of the transactions contemplated hereunder.

Section 3.03. Subsidiaries and Predecessor Corporations. Except for DGTE'S ownership of Newco as a wholly owned subsidiary in contemplation of this Agreement, DGTE does not have any other predecessor corporation(s) or subsidiaries, is not considered a successor in interest or by operation of law and does not own, beneficially or of record, any shares of any other entity.

Section 3.04. SEC Filings; Financial Statements.

(a) DGTE has made available to Retrophin a correct and complete copy, or there has been available on the EDGAR system maintained by the U.S. Securities and Exchange Commission (the "**SEC**"), copies of each report, registration statement and definitive proxy statement filed by DGTE with the SEC for the 36 months prior to the date of this Agreement ("**DGTE SEC Reports**"), which are all the forms, reports and documents filed by DGTE with the SEC for the 36 months prior to the date of this Agreement. As of their respective dates, to DGTE's knowledge, DGTE SEC Reports: (i) were prepared in accordance and complied in all material respects with the requirements of the Securities Act of 1933, as amended (the "**Securities Act**"), or the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), as the case may be, and the rules and regulations of the SEC thereunder applicable to such DGTE SEC Reports, and (ii) did not at the time they were filed (and if amended or superseded by a filing prior to the date of this Agreement then on the date of such filing and as so amended or superseded) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) Each set of financial statements (including, in each case, any related notes thereto) contained in DGTE SEC Reports comply as to form in all material respects with the published rules and regulations of the SEC with respect thereto, were prepared in accordance with U.S. generally accepted accounting principles, applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto or, in the case of unaudited statements, do not contain footnotes as permitted by Form 10-Q promulgated under the Exchange Act) and each fairly presents in all material respects the financial position of DGTE at the respective dates thereof and the results of its operations and cash flows for the periods indicated, except that the unaudited interim financial statements were or are subject to normal adjustments which were not or are not expected to have a material adverse effect on: (i) the assets, liabilities, results of operations, condition (financial or otherwise) or business of DGTE; or (ii) the ability of DGTE to perform its obligations hereunder, but, to the extent applicable, shall exclude any circumstance, change or effect to the extent resulting or arising from: (A) national or international political conditions, including any engagement in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack so long as DGTE is not disproportionately (in a material manner) affected by such changes; (B) changes in United States generally accepted accounting principles, or the interpretation thereof; or (C) the entry into or announcement of this Agreement, actions contemplated by this Agreement, or the consummation of the transactions contemplated hereby (a "**DGTE Material Adverse Effect**").

(c) As of the date of all balance sheets included in DGTE SEC Reports, except as and to the extent reflected or reserved against therein, DGTE had no liabilities or obligations (absolute or contingent) which should be reflected in the balance sheets or the notes thereto prepared in accordance with U.S. generally accepted accounting principles, and all assets reflected therein are properly reported and present fairly the value of the assets of DGTE, in accordance with U.S. generally accepted accounting principles. All statements of operations, stockholders' equity and cash flows included in DGTE SEC Reports reflect fairly the information required to be set forth therein by U.S. generally accepted accounting principles.

(d) Since inception, DGTE has maintained a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with U.S. generally accepted accounting principles and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(e) DGTE has no liabilities with respect to the payment of any federal, state, county, local or other taxes (including any deficiencies, interest or penalties), except for taxes accrued but not yet due and payable.

(f) DGTE has timely filed all state, federal or local income and/or franchise tax returns required to be filed by it from inception to the date hereof. Each of such income tax returns reflects the taxes due for the period covered thereby, except for amounts which, in the aggregate, are immaterial.

(g) The books and records, financial and otherwise, of DGTE are in all material aspects complete and correct and have been maintained in accordance with good business and accounting practices.

Section 3.05. Exchange Act Compliance. DGTE is in compliance with, and current in, all of the reporting, filing and other requirements under the Exchange Act, the Common Stock is registered under Section 12(g) of the Exchange Act, and DGTE is in compliance with all of the requirements under, and imposed by, Section 12(g) of the Exchange Act. All of DGTE's SEC reports have been filed on a timely basis or have received a valid extension of such time of filing and have filed any such Company's SEC reports prior to the expiration of any such extension.

Section 3.06. Information. The information concerning DGTE set forth in this Agreement, DGTE Schedules and DGTE SEC Reports is complete and accurate in all material respects and does not contain any untrue statements of a material fact or omit to state a material fact required to make the statements made, in light of the circumstances under which they were made, not misleading. In addition, DGTE has fully disclosed in writing to Retrophin (through this Agreement or DGTE Schedules) all information relating to matters involving DGTE or its assets or its present or past operations or activities which: (i) indicated or may indicate, in the aggregate, the existence of a greater than $10,000 liability, (ii) have led or may lead to a competitive disadvantage on the part of DGTE or (iii) either alone or in aggregation with other information covered by this Section, otherwise have led or may lead to a DGTE Material Adverse Effect, including, but not limited to, information relating to governmental, employee, environmental, litigation and securities matters or proceedings and transactions with affiliates.

Section 3.07. Absence of Certain Changes or Events. Since the date of the most recent Company balance sheet included in DGTE SEC Reports:

(a) There has not been: (i) any material adverse change in the business, operations, properties, assets or condition of DGTE or (ii) any damage, destruction or loss to DGTE (whether or not covered by insurance) materially and adversely affecting the business, operations, properties, assets or condition DGTE;

(b) DGTE has not: (i) amended its certificate of incorporation or bylaws except as required by this Agreement; (ii) declared or made, or agreed to declare or make any payment of dividends or distributions of any assets of any kind whatsoever to stockholders or purchased or redeemed, or agreed to purchase or redeem, any of its capital stock; (iii) waived any rights of value which in the aggregate are outside of the ordinary course of business or material considering the business of DGTE; (iv) made any material change in its method of management, operation, or accounting; (v) entered into any transactions or agreements of any kind or nature; (vi) made any accrual or arrangement for or payment of bonuses or special compensation of any kind or any severance or termination pay to any present or former officer or employee; (vii) increased the rate of compensation payable or to become payable by it to any of its officers or directors or any of its salaried employees whose monthly compensation exceed $5,000; or (viii) made any increase in any profit sharing, bonus, deferred compensation, insurance, pension, retirement, or other employee benefit plan, payment, or arrangement, made to, for or with its officers, directors, or employees;

(c) DGTE has not: (i) granted or agreed to grant any options, warrants, or other rights for its stock, bonds, or other corporate securities calling for the issuance thereof; (ii) borrowed or agreed to borrow any funds or incurred, or become subject to, any material obligation or liability (absolute or contingent); (iii) paid or agreed to pay any material obligations or liabilities (absolute or contingent) other than current liabilities reflected in or shown on the most recent Company balance sheet and current liabilities incurred since that date in the ordinary course of business and professional and other fees and expenses in connection with the preparation of this Agreement and the consummation of the transaction contemplated hereby; (iv) sold or transferred, or agreed to sell or transfer, any of its assets, properties, or rights, or canceled, or agreed to cancel, any debts or claims; (v) made or permitted any amendment or termination of any contract, agreement, or license to which it is a party if such amendment or termination is material, considering the business of DGTE; or (vi) issued, delivered or agreed to issue or deliver, any stock, bonds or other corporate securities including debentures (whether authorized and unissued or held as treasury stock), except in connection with this Agreement; and

(d) To its knowledge, DGTE has not become subject to any law or regulation which materially and adversely affects, or in the future, may adversely affect, the business, operations, properties, assets or condition of DGTE.

Section 3.08. Litigation and Proceedings. There are no actions, suits, proceedings or investigations pending or, to the knowledge of DGTE after reasonable investigation, threatened by or against DGTE or any of its past or present officers, directors or employees or affecting DGTE or its properties, at law or in equity, before any court or other governmental agency or instrumentality, domestic or foreign, or before any arbitrator of any kind except as disclosed in the Schedule 3.08 to DGTE Schedules. DGTE has no knowledge of any default on its part with respect to any judgment, order, writ, injunction, decree, award, rule or regulation of any court, arbitrator, or governmental agency or instrumentality or any circumstance which after reasonable investigation would result in the discovery of such default.

Section 3.09. Contracts. Except for DGTE Material Contracts:

(a) DGTE is not a party to, and its assets or properties are not bound by, any contract, franchise, agreement, debt instrument or other commitments whether such agreement is in writing or oral;

(b) DGTE is not a party to or bound by, and the properties of DGTE are not subject to any contract, agreement, other commitment or instrument; any charter or other corporate restriction; or any judgment, order, writ, injunction, decree, or award; and

(c) DGTE is not a party to any oral or written: (i) contract for the employment of any officer or employee; (ii) profit sharing, bonus, deferred compensation, stock option, severance pay, pension benefit or retirement plan, (iii) agreement, contract, or indenture relating to the borrowing of money, (iv) guaranty of any obligation, (vi) collective bargaining agreement; or (vii) agreement with any present or former officer or director of DGTE.

Section 3.10. No Conflict With Other Instruments. The execution of this Agreement and the consummation of the transactions contemplated hereby will not result in a violation of, breach of any term or provision of, constitute a default under, or terminate, accelerate or modify the terms of (i) DGTE's certificate of incorporation, bylaws or other organizational documents, (ii) any provision of a federal or state statute, rule or regulation applicable to DGTE or (iii) any DGTE Material Contract to which DGTE is a party or to which any of its assets, properties or operations are subject, or otherwise have a DGTE Material Adverse Effect.

Section 3.11. Filings, Consents and Approvals. DGTE is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other foreign, federal, state, local or other governmental authority or other person or entity in connection with the execution, delivery and performance by DGTE of this Agreement, or any document or instrument contemplated hereby.

Section 3.12. Compliance With Laws and Regulations. To the best of its knowledge, DGTE has complied with all applicable statutes and regulations of any federal, state, or other applicable governmental entity or agency thereof. This compliance includes, but is not limited to, the filing of all reports to date with federal and state securities authorities.

Section 3.13. Approval of Agreements. The Board of Directors of DGTE have duly authorized the execution and delivery of this Agreement by DGTE and the transactions contemplated hereby and the transactions contemplated each of the aforesaid agreements and instruments.

Section 3.14. Material Transactions or Affiliations. Except as disclosed in DGTE SEC Reports or on Schedule 3.14 to DGTE Schedules, there exists no contract, agreement or arrangement between DGTE and any predecessor and any person or entity who was at the time of such contract, agreement or arrangement an officer, director, or person owning of record or known by DGTE to own beneficially, 5% or more of the issued and outstanding Common Stock of DGTE and which is to be performed in whole or in part after the date hereof or was entered into since the inception of DGTE. Neither any officer, director, nor 5% stockholders of DGTE has, or has had since inception of DGTE, any known interest, direct or indirect, in any such transaction with DGTE which was material to the business of DGTE. DGTE has no commitment, whether written or oral, to lend any funds to, borrow any money from, or enter into any other transaction with, any such affiliated person.

Section 3.15. Bank Accounts; Power of Attorney. Set forth on Schedule 3.15 to DGTE Schedules is a true and complete list of: (a) all accounts with banks, money market mutual funds or securities or other financial institutions maintained by DGTE within the past twelve (12) months, the account numbers thereof, and all persons authorized to sign or act on behalf of DGTE, (b) all safe deposit boxes and other similar custodial arrangements maintained by DGTE within the past twelve (12) months, (c) the check ledger for the last 12 months, and (d) the names of all persons holding powers of attorney from DGTE or who are otherwise authorized to act on behalf of DGTE with respect to any matter, other than its officers and directors, and a summary of the terms of such powers or authorizations.

Section 3.16. Valid Obligation. All corporate action on the part of DGTE, its officers, directors and holders of capital stock necessary for the authorization, execution and delivery of this Agreement and the performance of all obligations of DGTE hereunder and thereunder have been taken. This Agreement and all agreements and other documents executed by DGTE in connection herewith and therewith constitute the valid and binding obligation of DGTE, enforceable in accordance with its or their terms, except as may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally and subject to the qualification that the availability of equitable remedies is subject to the discretion of the court before which any proceeding therefore may be brought.

Section 3.17. Title to Property. DGTE does not own or lease any real property or personal property. There are no options or other contracts under which DGTE has a right or obligation to acquire or lease any interest in real property or personal property.

Section 3.18. Foreign Corrupt Practices Act. None of DGTE, nor to the knowledge of DGTE, any agent or other person acting on behalf of DGTE, has, directly or indirectly: (a) used any funds, or will use any proceeds from the sale of the Units, for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (b) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (c) failed to disclose fully any contribution made by DGTE (or made by any person acting on their behalf of which DGTE is aware) or any members of their respective management which is in violation of any Legal Requirement, or (d) has violated in any material respect any provision of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder which was applicable to DGTE.

Section 3.19. Solvency. DGTE has not: (a) made a general assignment for the benefit of creditors; (b) filed any voluntary petition in bankruptcy or suffered the filing of any involuntary petition by its creditors; (c) suffered the appointment of a receiver to take possession of all, or substantially all, of its assets; (d) suffered the attachment or other judicial seizure of all, or substantially all, of its assets; (e) admitted in writing its inability to pay its debts as they come due; or (f) made an offer of settlement, extension or composition to its creditors generally.

Section 3.20. OFAC. None of DGTE nor, to the knowledge of DGTE, any director, officer, agent, employee, affiliate or person acting on behalf of DGTE, is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**"); and DGTE has not heretofore engaged in any transaction to lend, contribute or otherwise make available it funds or the funds of any joint venture partner or other person or entity towards any sales or operations in Cuba, Iran, Syria, Sudan, Myanmar or any other country sanctioned by OFAC or for the purpose of financing the activities of any person or entity currently subject to any U.S. sanctions administered by OFAC.

Section 3.21. Intellectual Property. DGTE does not own, license or otherwise have any right, title or interest in any intellectual property.

Section 3.22. Employees; Consultants, etc.. Except as disclosed in DGTE SEC Reports, DGTE has no employees, officers, directors, agents or consultants. DGTE maintains no employee benefit plans or programs of any kind or nature.

Section 3.23. Insurance. DGTE does not hold or maintain, nor is DGTE obligated to hold or maintain, any insurance on behalf for itself or its assets or for any officer, director, employee or stockholder of DGTE.

Section 3.24. Full Disclosure. No representation or warranty by DGTE in this Agreement and no statement contained in the DGTE Schedules or any certificate or other document furnished or to be furnished to Retrophin pursuant to this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not misleading. On or prior to the Closing Date, DGTE has received a release from any person or entity to whom it owes money and as of the Closing, DGTE will not have any outstanding liabilities, obligations, liens or encumbrances.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES
OF RETROPHIN

As an inducement to, and to obtain the reliance of DGTE, except as set forth in the Schedules of Retrophin attached hereto (the "**Retrophin Disclosure Schedules**"), Retrophin hereby represents and warrants to DGTE as of the Closing Date (as defined below) as follows. As used herein, the term "**knowledge of Retrophin**" or similar language refers to the actual knowledge of the executive officers of Retrophin.

Section 4.01. Incorporation. Retrophin is organized under the laws of the State of Delaware, is duly formed or organized, validly existing and in good standing under the laws of its jurisdiction of organization and has the requisite power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being or currently planned to be conducted. Retrophin is in possession of all governmental or third party approvals necessary to own, lease and operate the properties it purports to own, operate or lease, to carry on its business as it is now being conducted and to consummate the transactions contemplated by this Agreement. Retrophin is not in violation of any of the provisions of its charter or organizational documents. The ownership records (which have been delivered to DGTE) of Retrophin registered capital are true, complete and accurate records of such ownership as of the date of such records and contain all transfers of such registered capital since the time of Retrophin's organization. Retrophin is not required to qualify to do business as a foreign corporation in any other jurisdiction, except where the failure to so qualify would not have a material adverse effect on: (i) the assets, liabilities, results of operations, condition (financial or otherwise) or business of Retrophin taken as a whole; or (ii) the ability of Retrophin to perform its obligations hereunder, but, to the extent applicable, shall exclude any circumstance, change or effect to the extent resulting or arising from: (A) any change in general economic conditions in the industries or markets in which Retrophin operates so long as Retrophin is not disproportionately (in a material manner) affected by such changes; (B) national or international political conditions, including any engagement in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack so long as Retrophin is not disproportionately (in a material manner) affected by such changes; (C) changes in United States generally accepted accounting principles, or the interpretation thereof; or (D) the entry into or announcement of this Agreement, actions contemplated by this Agreement, or the consummation of the transactions contemplated hereby (a "**Retrophin Material Adverse Effect**").

Section 4.02. Capitalization.

(a) Retrophin's authorized capitalization consists of (a) eight million (8,000,000) shares of Retrophin Common Stock, of which 825,119 shares of Retrophin Common Stock are issued and outstanding and 111,283 shares of Retrophin Common Stock are subject to vesting, and (b) three million (3,000,000) shares of Retrophin Series A Stock, of which 151,461 shares are issued and outstanding. All issued and outstanding shares of Retrophin Common Stock and Retrohpin Preferred Stock are legally issued, fully paid, and non-assessable and not issued in violation of the preemptive or other rights of any person or entity. As of the Closing Date, 111,283 shares of Retrophin Common Stock is subject to vesting and no shares of Retrophin Common Stock are otherwise reserved for issuance upon the exercise of outstanding options or warrants to purchase Retrophin Common Stock or other equity-linked securities of Retrophin. All outstanding Retrophin Common Stock and Retrophin Series A Stock has been issued and granted in compliance with: (i) all applicable securities laws and (in all material respects) other applicable laws and regulations, and (ii) all requirements set forth in any Retrophin Material Contracts (as defined below).

(b) Except as set forth above, there are no equity securities, partnership interests or similar ownership interests of any class of any equity security of Retrophin, or any securities exchangeable or convertible into or exercisable for such equity securities, partnership interests or similar ownership interests, issued, reserved for issuance or outstanding. Except as contemplated by this Agreement or as set forth in Schedule 4.02 to Retrophin Disclosure Schedules, there are no subscriptions, options, warrants, equity securities, partnership interests or similar ownership interests, calls, rights (including preemptive rights), commitments or agreements of any character to which Retrophin is a party or by which it is bound obligating Retrophin to issue, deliver or sell, or cause to be issued, delivered or sold, or repurchase, redeem or otherwise acquire, or cause the repurchase, redemption or acquisition of, any shares of capital stock, partnership interests or similar ownership interests of Retrophin or obligating Retrophin to grant, extend, accelerate the vesting of or enter into any such subscription, option, warrant, equity security, call, right, commitment or agreement. There is no plan or arrangement to issue Retrophin Common Stock or preferred stock of Retrophin except as set forth in this Agreement.

(c) Except as contemplated by this Agreement and except as set forth in Schedule 4.02 to Retrophin Disclosure Schedules, there are no registration rights, and there is no voting trust, proxy, rights plan, anti-takeover plan or other agreement or understanding to which Retrophin is a party or by which it is bound with respect to any equity security of any class of Retrophin, and there are no agreements to which Retrophin is a party, or which Retrophin has knowledge of, which conflict with this Agreement or the transactions contemplated herein or otherwise prohibit the consummation of the transactions contemplated hereunder.

Section 4.03. Subsidiaries. Except as set forth on Schedule 4.03 to the Retrophin Disclosure Schedules, Retrophin does not have any subsidiaries, and does not own, beneficially or of record, any shares of any other entity.

Section 4.04. Financial Statements.

(a) (i) The audited balance sheets of Retrophin as of December 31, 2011 and the related audited statements of operations, stockholders' equity and cash flows for the fiscal year ended December 31, 2011 together with the notes to such statements and the opinion of Marcum LLP, independent certified public accountants, (ii) the unaudited financial statements of Retrophin for the quarter ended September 30, 2012 and (iii) the unaudited pro forma consolidated financial statements of Retrophin for the nine months ended September 30, 2012 (collectively the "**Retrophin Financial Statements**") have been made available to DGTE.

(b) The Retrophin Financial Statements have been prepared in accordance with generally accepted accounting principles of the United States consistently applied throughout the periods involved. The Retrophin balance sheets included as part of the Retrophin Financial Statements are true and accurate and present fairly as of their respective dates the financial condition of Retrophin. As of the date of such balance sheets, except as and to the extent reflected or reserved against therein, Retrophin had no liabilities or obligations (absolute or contingent) which should be reflected in the balance sheets or the notes thereto prepared in accordance with generally accepted accounting principles, and all assets reflected therein are properly reported and present fairly the value of the assets of Retrophin, in accordance with generally accepted accounting principles. The statements of operations, stockholders' equity and cash flows included as part of the Retrophin Financial Statements reflect fairly the information required to be set forth therein by generally accepted accounting principles.

Section 4.05. Information. The information concerning Retrophin set forth in this Agreement and the Retrophin Disclosure Schedules is complete and accurate in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact required to make the statements made, in light of the circumstances under which they were made, not misleading.

Section 4.06. Options or Warrants. Except as set forth in Schedule 4.06 to the Retrophin Disclosure Schedules, there are no existing options, warrants, calls, or commitments of any character relating to the authorized and unissued stock of Retrophin.

Section 4.07. Absence of Certain Changes or Events. Except as disclosed in the Retrophin Disclosure Schedules since inception;:

(a) There has not been any material adverse change in the business, operations, properties, assets, or condition (financial or otherwise) of Retrophin;

(b) Retrophin has not: (i) amended its certificate of incorporation, charter or other organizational documents; (ii) declared or made, or agreed to declare or make, any payment of dividends or distributions of any assets of any kind whatsoever to stockholders or purchased or redeemed, or agreed to purchase or redeem, any of its shares; (iii) made any material change in its method of management, operation or accounting, (iv) entered into any other material transaction other than sales in the ordinary course of its business; or (v) made any increase in or adoption of any profit sharing, bonus, deferred compensation, insurance, pension, retirement, or other employee benefit plan, payment, or arrangement made to, for, or with its officers, directors, or employees; and

(c) Retrophin has not: (i) granted or agreed to grant any options, warrants or other rights for its stock, bonds or other corporate securities calling for the issuance thereof, (ii) borrowed or agreed to borrow any funds or incurred, or become subject to, any material obligation or liability (absolute or contingent) except as disclosed herein and except liabilities incurred in the ordinary course of business; (iii) sold or transferred, or agreed to sell or transfer, any of its assets, properties, or rights or canceled, or agreed to cancel, any debts or claims; or (iv) issued, delivered, or agreed to issue or deliver any stock, bonds or other corporate securities including debentures (whether authorized and unissued or held as treasury stock) except in connection with this Agreement and the transaction contemplated hereby.

Section 4.08. Litigation and Proceedings. Except as disclosed on Schedule 4.08 to the Retrophin Disclosure Schedules, there are no material actions, suits, proceedings, or investigations pending or, to the knowledge of Retrophin after reasonable investigation, threatened by or against Retrophin or affecting Retrophin or its properties, at law or in equity, before any court or other governmental agency or instrumentality, domestic or foreign, or before any arbitrator of any kind. Retrophin has no knowledge of any material default on its part with respect to any judgment, order, injunction, decree, award, rule, or regulation of any court, arbitrator, or governmental agency or instrumentality or of any circumstances which, after reasonable investigation, would result in the discovery of such a default.

Section 4.09. Contracts. All "material" contracts, agreements, franchises, license agreements, debt instruments or other commitments to which Retrophin is a party or by which it or any of its assets, products, technology, or properties are bound, other than those incurred in the ordinary course of business, are set forth on Schedule 4.09 to the Retrophin Disclosure Schedules (the "**Retrophin Material Contracts**"). Such schedule contains any oral or written: (i) contract for the employment of any officer or employee; (ii) profit sharing, bonus, deferred compensation, stock option, severance pay, pension benefit or retirement plan, (iii) agreement, contract, or indenture relating to the borrowing of money, (iv) guaranty of any obligation; (v) collective bargaining agreement; or (vi) agreement with any present or former officer or director of Retrophin.

Section 4.10. No Conflict With Other Instruments. The execution of this Agreement and the consummation of the transactions contemplated by this Agreement will not result in a violation of, breach of any term or provision of, constitute a default under, or terminate, accelerate or modify the terms of (i) Retrophin's certificate of incorporation, charter, bylaws or other organizational documents, (ii) any provision of a federal or state statute, rule or regulation applicable to Retrophin or (iii) any Retrophin Material Contract to which Retrophin is a party or to which any of its assets, properties or operations are subject.

Section 4.11. Compliance With Laws and Regulations. To the best of its knowledge, Retrophin has complied with all applicable statutes and regulations of any federal, state, local, or other governmental entity or agency thereof, except to the extent that noncompliance would not have a Retrophin Material Adverse Effect.

Section 4.12. Approval of Agreement. The Board of Directors of Retrophin has authorized the execution and delivery of this Agreement by Retrophin and has approved this Agreement and the transactions contemplated hereby.

ARTICLE V
CLOSING

Section 5.01. Closing. Subject to the terms and conditions herein, the consummation of the transactions contemplated by this Agreement (the "Closing") shall take place at Katten Muchin Rosenman LLP, 575 Madison Avenue, New York, NY 10022 on or before December 12, 2012 (the "Closing Date") or at such other place or date and time as may be agreed to in writing by the parties hereto at the earliest practicable time after satisfaction or waiver of the conditions set forth in Articles VII and VIII, but in no event later than fifteen (15) days after such conditions have been satisfied or waived. The Merger shall be effective at Closing or such later time that the parties specify (the "Effective Time" or "Effective Date").

Section 5.02. Closing Events. The following conditions are a part of this Agreement and must be completed on or as of the Closing Date, or such other date specified by the parties:

(a) At the Effective Time, the events and conditions set forth in Article I of this Agreement will be completed by the respective officers and Board of Directors of Newco, DGTE and Retrophin. Immediately after the Effective Time, Robert Wilson, the sole director of DGTE will appoint Martin Shkreli as member of the Board of Directors of DGTE. Following the appointment of Martin Shkreli to the Board of Directors, Robert Wilson will resign as a member of the Board of Directors of DGTE to be effective upon the effectiveness of a 14F Information Statement to be filed with the U.S. Securities and Exchange Commission immediately upon closing of the transactions contemplated by this Agreement.

(b) Immediately after the Effective Time, Robert Wilson, the sole officer of DGTE, will resign as an officer of DGTE and Martin Shkreli will be appointed Chief Executive Officer of DGTE.

(c) At the Closing, DGTE, Newco and Retrophin shall execute, acknowledge, and deliver (or shall ensure to be executed, acknowledged, and delivered), any and all certificates, opinions, financial statements, schedules, agreements, resolutions, rulings or other instruments required by this Agreement to be so delivered at or prior to the Closing, together with such other items as may be reasonably requested by the parties hereto and their respective legal counsel in order to effectuate or evidence the transactions contemplated hereby.

Section 5.03. Termination. This Agreement may be terminated by the parties only in the event that the parties do not meet the conditions precedent set forth in Articles VII and VIII. If this Agreement is terminated pursuant to this section, this Agreement shall be of no further force or effect, and no obligation, right or liability shall arise hereunder.

ARTICLE VI
OTHER AGREEMENTS AND COVENANTS

Section 6.01. Legends. Retrophin acknowledges and agrees that each certificate representing the shares of DGTE Common Stock issuable pursuant to this Agreement shall be endorsed with the following legends, in addition to any other legend required to be placed thereon by applicable federal or state securities laws:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE SECURITIES LAWS. THE SHARES MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS THE SHARES ARE REGISTERED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, OR SUCH SALES, PLEDGES AND TRANSFERS ARE MADE PURSUANT TO AVAILABLE EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THOSE LAWS.

Section 6.02. Delivery of Books and Records. At the Closing, DGTE shall deliver to Retrophin or its representatives the originals of the corporate minute books, books of account, contracts, records, and all other books or documents of DGTE which is now in the possession of DGTE or its representatives.

Section 6.03. Third Party Consents and Certificates. DGTE and Retrophin agree to cooperate with each other in order to obtain any required third party consents to this Agreement and the transactions herein contemplated.

Section 6.04. Sales of Securities Under Rule 144, If Applicable.

(a) DGTE will use its best efforts to at all times satisfy the current public information requirements of Rule 144 promulgated under the Securities Act so that its shareholders can sell restricted securities that have been held for the applicable restricted period as required by Rule 144 as it is from time to time amended.

(b) Upon being informed in writing by any person holding restricted stock of DGTE that such person intends to sell any shares under rule 144 promulgated under the Securities Act (including any rule adopted in substitution or replacement thereof), DGTE will certify in writing to such person that it is compliance with Rule 144 current public information requirement to enable such person to sell such person's restricted stock under Rule 144, as may be applicable under the circumstances.

(c) If any certificate representing any such restricted stock is presented to DGTE's transfer agent for registration or transfer in connection with any sales theretofore made under Rule 144, provided such certificate is duly endorsed for transfer by the appropriate person(s) or accompanied by a separate stock power duly executed by the appropriate person(s) in each case with reasonable assurances that such endorsements are genuine and effective, and is accompanied by a legal opinion that such transfer has complied with the requirements of Rule 144, as the case may be, DGTE will promptly instruct its transfer agent to register such transfer and to issue one or more new certificates representing such shares to the transferee and, if appropriate under the provisions of Rule 144, as the case may be, free of any stop transfer order or restrictive legend.

Section 6.05. Assistance with Post-Closing SEC Reports and Inquiries Upon the reasonable request of Retrophin, after the Closing Date, DGTE shall cause John Heskett, Esq.~~,~~ to use his reasonable best efforts to provide such information available to him, including information, filings, reports, financial statements or other circumstances of DGTE occurring, reported or filed prior to the Closing, as may be necessary or required by DGTE for the preparation of the reports that DGTE is required to file after Closing with the SEC to remain in compliance and current with its reporting requirements under the Exchange Act.

ARTICLE VII
CONDITIONS PRECEDENT TO OBLIGATIONS OF DGTE AND NEWCO

The obligations of DGTE and Newco under this Agreement are subject to the satisfaction, at or before the Closing Date, of the following conditions:

Section 7.01. Accuracy of Representations and Performance of Covenants. The representations and warranties made by Retrophin in this Agreement were true when made and shall be true at the Closing Date. Retrophin shall have performed or complied with all covenants and conditions required by this Agreement to be performed or complied with by them prior to or at the Closing.

Section 7.02. Good Standing. DGTE shall have received a certificate of good standing from the Secretary of State of Delaware, dated as of no less than fifteen (15) business days prior the Closing Date, certifying that Retrophin is in good standing as a corporation incorporated in Delaware.

Section 7.03. No Governmental Prohibition. No order, statute, rule, regulation, executive order, injunction, stay, decree, judgment or restraining order shall have been enacted, entered, promulgated or enforced by any court or governmental or regulatory authority or instrumentality which prohibits the consummation of the transactions contemplated hereby.

Section 7.04. Consents. All consents, approvals, waivers or amendments pursuant to all contracts, licenses, permits, trademarks and other intangibles in connection with the transactions contemplated herein, or for the continued operation of Retrophin after the Closing Date on the basis as presently operated shall have been obtained.

ARTICLE VIII
CONDITIONS PRECEDENT TO OBLIGATIONS OF RETROPHIN

The obligations of Retrophin under this Agreement are subject to the satisfaction, at or before the Closing Date, of the following conditions:

Section 8.01. Accuracy of Representations and Performance of Covenants. The representations and warranties made by DGTE and Newco in this Agreement were true when made and shall be true as of the Closing Date with the same force and effect as if such representations and warranties were made at and as of the Closing Date. Additionally, DGTE and Newco shall have performed and complied with all covenants and conditions required by this Agreement to be performed or complied with by DGTE and Newco.

Section 8.02. Closing Certificate. Retrophin shall have been furnished with certificates dated the Closing Date and signed by duly authorized executive officers of each of DGTE and Newco, to the effect that no litigation, proceeding, investigation or inquiry is pending, or to the knowledge of DGTE or Newco, as applicable, threatened, which might result in an action to enjoin or prevent the consummation of the transactions contemplated by this Agreement or, to the extent not disclosed in the DGTE Schedules or the Newco Schedules, by or against DGTE and/or Newco, as applicable, which might result in any material adverse change in any of the assets, properties or operations of DGTE or Newco.

Section 8.03. Officer's Certificate. Retrophin shall have been furnished with certificates dated the Closing Date and signed by duly authorized executive officers of each of DGTE and Newco, certifying that there are no existing liabilities as of the Closing Date and that all representations and warranties of DGTE and Newco contained in this Agreement shall be true and correct on and as of the Closing Date.

Section 8.04. Secretary's Certificate. Retrophin shall have been furnished with certificates dated the Closing Date and signed by the secretary of each of DGTE and Newco, certifying to Retrophin the resolutions adopted by the shareholders and Board of Directors of DGTE and Newco, respectively, approving the transactions contemplated by this Agreement, certifying the current versions of their respective certificates of incorporation and bylaws or other organizational documents and certifying as to the signatures and authority of persons signing this Agreement and related documents on each of DGTE's and Newco's behalf.

Section 8.05. Good Standing. Retrophin shall have received certificates of good standing from the Secretary of State Delaware , dated as of a date within ten days prior to the Closing Date, certifying that each of DGTE and Newco is in good standing as a corporation in the State of Delaware and has filed all tax returns required to have been filed by it to date and has paid all taxes reported as due thereon.

Section 8.06. No Governmental Prohibition. No order, statute, rule, regulation, executive order, injunction, stay, decree, judgment or restraining order shall have been enacted, entered, promulgated or enforced by any court or governmental or regulatory authority or instrumentality which prohibits the consummation of the transactions contemplated hereby.

Section 8.07. Consents. All consents, approvals, waivers or amendments pursuant to all contracts, licenses, permits, trademarks and other intangibles in connection with the transactions contemplated herein, or for the continued operation of DGTE and Newco after the Closing Date on the basis as presently operated shall have been obtained.

Section 8.08. Retrophin Shareholder Approval. The approval of a majority of the outstanding shares of Retrophin Common Stock to the transactions contemplated hereby shall have been obtained.

ARTICLE IX
MISCELLANEOUS

Section 9.01. Brokers. The parties agree that, there were no finders or brokers involved in bringing the parties together or who were instrumental in the negotiation, execution or consummation of this Agreement. DGTE and Retrophin each agree to indemnify the other against any claim by any third person other than those described herein for any commission, brokerage, or finder's fee arising from the transactions contemplated hereby based on any alleged agreement or understanding between the indemnifying party and such third person, whether express or implied from the actions of the indemnifying party.

Section 9.02. Governing Law; Venue. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the County of New York, New York. Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the County of New York, New York for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper. Each party hereto hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. EACH PARTY HERETO (INCLUDING ITS AFFILIATES, AGENTS, OFFICERS, DIRECTORS AND EMPLOYEES) HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 9.03. Notices. All notices, requests, demands and other communications provided in connection with this Agreement shall be in writing and shall be deemed to have been duly given at the time when hand delivered, delivered by express courier, or sent by facsimile (with receipt confirmed by the sender's transmitting device) in accordance with the contact information provided below or such other contact information as the parties may have duly provided by notice.

If to DGTE:

Desert Gateway, Inc.
501 South Johnstone Ave., Suite 501
Bartlesville, Oklahoma 74003
Fax Number: 918.336.3152

with a copy (which shall not constitute notice) to:

John Heskett
HESKETT & HESKETT
Attorneys at Law
501 South Johnstone Ave., Suite 501
Bartlesville, Oklahoma 74003
Fax Number: 918.336.3152

If to Newco, to:

Desert Gateway Acquisition Corp.
501 South Johnstone Ave., Suite 501
Bartlesville, Oklahoma 74003
Fax Number: 918.336.3152

with a copy (which shall not constitute notice) to:

John Heskett
HESKETT & HESKETT
Attorneys at Law
501 South Johnstone Ave., Suite 501
Bartlesville, Oklahoma 74003
Fax Number: 918.336.3152

If to Retrophin, to:

Retrophin, Inc.
777 Third Avenue, 22nd Floor
New York, NY 10017
Attention: Chief Executive Officer

with a copy (which shall not constitute notice) to:

Katten Muchin Rosenman LLP
575 Madison Avenue
New York, NY 10022
Attention: Evan L. Greebel, Esq.
Fax Number: 212.940.8776

Any such notice or communication shall be deemed to have been given: (i) upon receipt, if personally delivered, (ii) on the day after dispatch, if sent by overnight courier, (iii) upon dispatch, if transmitted by facsimile and receipt is confirmed by printed receipt and (iv) three (3) days after mailing, if sent by registered or certified mail.

Section 9.04. Confidentiality. Each party hereto agrees with the other that, unless and until the transactions contemplated by this Agreement have been consummated, it and its representatives will hold in strict confidence all data and information obtained with respect to another party or any subsidiary thereof from any representative, officer, director or employee, or from any books or records or from personal inspection, of such other party, and shall not use such data or information or disclose the same to others, except: (i) to the extent such data or information is published, is a matter of public knowledge, or is required by law to be published; or (ii) to the extent that such data or information must be used or disclosed in order to consummate the transactions contemplated by this Agreement. In the event of the termination of this Agreement, each party shall return to the other party all documents and other materials obtained by it or on its behalf and shall destroy all copies, digests, work papers, abstracts or other materials relating thereto, and each party will continue to comply with the confidentiality provisions set forth herein.

Section 9.05. Schedules; Knowledge. Each party is presumed to have full knowledge of all information set forth in the other party's schedules delivered pursuant to this Agreement.

Section 9.06. No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other person or entity.

Section 9.07. Expenses. Whether or not the Merger is consummated, each of the parties hereto will bear their own respective expenses, including legal, accounting and professional fees, incurred in connection with the Merger or any of the other transactions contemplated hereby.

Section 9.08. Entire Agreement. This Agreement represents the entire agreement between the parties relating to the subject matter thereof and supersedes all prior agreements, understandings and negotiations, written or oral, with respect to such subject matter.

Section 9.09. Survival; Termination. The representations, warranties, and covenants of the respective parties shall survive the Closing Date and the consummation of the transactions herein contemplated for a period of two years.

Section 9.10. Counterparts. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile signature page were an original thereof.

Section 9.11. Amendment or Waiver. Every right and remedy provided herein shall be cumulative with every other right and remedy, whether conferred herein, at law, or in equity, and may be enforced concurrently herewith, and no waiver by any party of the performance of any obligation by the other shall be construed as a waiver of the same or any other default then, theretofore, or thereafter occurring or existing. At any time prior to the Closing Date, this Agreement may by amended by a writing signed by all parties hereto, with respect to any of the terms contained herein, and any term or condition of this Agreement may be waived or the time for performance may be extended by a writing signed by the party or parties for whose benefit the provision is intended.

Section 9.12. Best Efforts. Subject to the terms and conditions herein provided, each party shall use its best efforts to perform or fulfill all conditions and obligations to be performed or fulfilled by it under this Agreement so that the transactions contemplated hereby shall be consummated as soon as practicable. Each party also agrees that it shall use its best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective this Agreement and the transactions contemplated herein, both prioand following the Closing.

[signature page to follow]

IN WITNESS WHEREOF, the corporate parties hereto have caused this Agreement to be executed by their respective officers, hereunto duly authorized, as of the date first-above written.

DESERT GATEWAY, INC.

By: /s/ Robert Wilson
Name: Robert Wilson
Title: President

DESERT GATEWAY ACQUISITION CORP.

By: /s/ Robert Wilson
Name: Robert Wilson
Title: President

RETROPHIN, INC.

By: /s/ Martin Shkreli
Name: Martin Shkreli
Title: President

CERTAIN MATERIAL (INDICATED BY ASTERISKS) HAS BEEN OMITTED FROM THIS DOCUMENT PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

SUBLICENSE AGREEMENT

THIS SUBLICENSE AGREEMENT (the "Agreement") is made and entered into effective as of February 16, 2012 (the "Effective Date") by and between Ligand Pharmaceuticals Incorporated, a corporation organized under the laws of Delaware and having a place of business at 11085 North Torrey Pines Road, Suite 300, La Jolla, CA, 92037 and its wholly owned subsidiary, Pharmacopeia, Inc. (as successor in interest to Pharmacopeia Drug Discovery Inc.) ("PCOP"), a limited liability company organized under the laws of Delaware and having a place of business at 11085 North Torrey Pines Road, Suite 300, La Jolla, CA, 92037 (collectively, Ligand Pharmaceuticals Incorporated and PCOP shall be known as "Ligand") and Retrophin, LLC, a limited liability company organized under the laws of Delaware and having a place of business at 330 Madison Avenue, 6th Floor, New York, NY, 10017 ("Retrophin"). Ligand and Retrophin are each referred to herein by name or individually as a "Party" or collectively as the "Parties."

RECITALS

WHEREAS, Ligand has in-licensed certain patent rights and know-how rights with respect to the Licensed Compounds (as defined below) and has the right to sublicense the same;

WHEREAS, Retrophin desires to obtain from Ligand sublicenses relating to the Licensed Compounds and Ligand desires to grant such sublicenses to Retrophin, all on the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth below, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

ARTICLE 1.
DEFINITIONS

The terms in this Agreement with initial letters capitalized shall have the meaning set forth below or, if not listed below, the meaning designated in places throughout this Agreement.

1.1 "AAA" has the meaning set forth in Section 14.3.1.

1.2 "Act" means the United States Food, Drug and Cosmetic Act, as amended.

1.3 "Active Compound" has the meaning set forth in Appendix 2 hereto.

1.4 "Affiliate" of a Person means any other Person which (directly or indirectly) is controlled by, controls or is under common control with such Person. For the purposes of this definition, the term "control" (including, with correlative meanings, the terms "controlled by" and "under common control with") as used with respect to a Person means (i) in the case of a corporate entity, direct or indirect ownership of voting securities entitled to cast at least **[*****]***** of the votes in the election of directors or (ii) in the case of a non-corporate entity, direct or indirect ownership of at least **[*****] of the voting securities with the power to direct the management and policies of such entity.

1.5 "Agreement" has the meaning set forth in the initial paragraph herein and includes all Appendices attached hereto, as the same may be amended or supplemented from time to time.

1.6 "Approval" means, with respect to any Licensed Product in any regulatory jurisdiction, approval from the applicable Regulatory Authority sufficient for the manufacture, distribution, use and sale of the Licensed Product in such jurisdiction in accordance with applicable Laws.

1.7 "BMS" means Bristol-Myers Squibb Company, a Delaware corporation headquartered at 345 Park Avenue, New York, New York 10154.

1.8 "BMS Know-How" means **[***]**. BMS Know-How shall not include **[*****].

1.9 "Business Day" or "business day" means a day other than Saturday, Sunday or any day on which commercial banks located in New York, New York are authorized or obligated by applicable Laws to close.

1.10 **[***]**.

1.11 **[***]**.

1.12 "Combination Product" means **[***]**.

1.13 "Commercialization" or "Commercialize" means activities directed to commercially manufacturing, obtaining pricing and reimbursement approvals, carrying out Phase 4 Trials for, marketing, promoting, distributing, importing or selling a pharmaceutical product.

1.14 "Commercially Reasonable Efforts" means, with respect to Licensed Compounds and Licensed Products, the carrying out of Development or Commercialization activities in a **[***]**. Without limiting the foregoing, Commercially Reasonable Efforts requires that a Party: (i) **[***]** (ii) **[***]** (iii) **[***]** (iv) **[***]** (v) **[***]**.

1.15 "Competitive Compound" means any **[***]** that is **[***]** unless Ligand has**[*****]. Ligand shall not **[***]**.

*** Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

1.16 “Confidential Information” means all trade secrets, processes, formulae, data, know-how, improvements, inventions, chemical or biological materials, assays, techniques, marketing plans, strategies, customer lists, or other information that has been created, discovered, or developed by a Party, or has otherwise become known to a Party, or to which rights have been assigned to a Party, as well as any other information, agreements and materials that are deemed confidential or proprietary to or by a Party (including all information and materials of a Party’s customers and any other Third Party and their consultants), in each case that are disclosed by such Party to the other Party, regardless of whether any of the foregoing are marked “confidential” or “proprietary” or communicated to the other by the disclosing Party in oral, written, graphic, or electronic form.

1.17 “Controlled” or “Controls”, when used in reference to intellectual property, means the legal authority or right of a Party hereto (or any of its Affiliates) to grant a license or sublicense of intellectual property rights to another Party, or to otherwise disclose proprietary or trade secret information to such other Party, without breaching the terms of any agreement with a Third Party, or misappropriating the proprietary or trade secret information of a Third Party.

1.18 “Core Patent Rights” means the patents and patent applications that are listed in Appendix 1 hereto and (a) **[*******]***** that **[*******]** listed in Appendix 1 hereto **[***]** and **[***]** (but in each case, only with respect to **[***]** listed in Appendix 1 hereto), (b) all **[***]** foregoing**[***]**, together with all **[***]** thereof (but in each case, only with respect to **[***]** in Appendix 1 hereto).

1.19 “Cover,” “Covered” or “Covering” means, with respect to patent rights, that the making, using, importation, offer for sale or sale of an invention claimed in such patent rights or the conducting of an activity that, in the absence of a license under such patent rights, would infringe at least one Valid Claim of such patent rights whether present in an issued patent or in a patent application if it issued as a patent containing such claim.

1.20 “Development” means non-clinical and clinical drug development activities reasonably related to the development and submission of information to a Regulatory Authority, including toxicology, pharmacology and other discovery and pre-clinical efforts, test method development and stability testing, manufacturing process development, formulation development, delivery system development, quality assurance and quality control development, statistical analysis, clinical studies (including, pre- and post-approval studies and specifically excluding regulatory activities directed to obtaining pricing and reimbursement approvals). When used as a verb, “Develop” means to engage in Development.

1.21 “Development Plan” means, with respect to any Licensed Product, a comprehensive, multi-year plan specifying the anticipated timing and technical details of Development activities for such Licensed Product, including the indications to be targeted, line of therapy, timelines for completing key activities, phasing of development, primary endpoints,

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criteria for continuing activities, study size, comparator drugs, combination drugs, timelines for data preparation and filing of regulatory submissions, toxicology and pharmacology studies and manufacturing process development and scale up. An outline of the initial Development Plan as of the Effective Date is attached hereto as Appendix 3.

1.22 "Dollar" or "$" means the lawful currency of the United States.

1.23 "Effective Date" has the meaning set forth in the initial paragraph of this Agreement.

1.24 "EMEA" means the European Agency for the Evaluation of Medicinal Products, or any successor agency thereto.

1.25 "Excluded Claim" means a Dispute that concerns (a) the validity or infringement of a patent, trademark or copyright or (b) any antitrust, anti-monopoly or competition law or regulation, whether or not statutory.

1.26 "Executive" means for Ligand, the Chief Executive Officer of Ligand (or such individual's designee) and for Retrophin, the Chief Executive Officer of Retrophin (or such individual's designee). If either position is vacant or either position does not exist, then the person having the most nearly equivalent position (or such individual's designee) shall be deemed to be the Executive of the relevant Party.

1.27 "Exit Transaction" means: (i) **[***]*****

1.28 "FDA" means the U.S. Food and Drug Administration, or any successor agency thereto.

1.29 "Field" means the diagnosis, prevention, treatment or control of any human or animal disease, disorder or condition.

1.30 "First Commercial Sale" means, with respect to any Licensed Product, the first sale for use or consumption by the general public of such Licensed Product in any country in the Territory after Approval of such Licensed Product has been granted, or such marketing and sale is otherwise permitted, by the Regulatory Authority of such country.

1.31 "GAAP" means generally accepted accounting principles in the United States.

1.32 "IND" means an Investigational New Drug Application, as defined in the Act, filed with the FDA or its foreign counterparts.

1.33 "Indemnification Claim" has the meaning set forth in Section 12.3.

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1.34 “Indemnitee” has the meaning set forth in Section 12.3.

1.35 “Indemnitor” has the meaning set forth in Section 12.3.

1.36 “JNDA” means a New Drug Application filed with the Koseisho required for marketing approval for the applicable Licensed Product in Japan.

1.37 “JNDA Approval” means the approval of a JNDA by the Koseisho for the applicable Licensed Product in Japan.

1.38 “JNDA Filing” means the submission to the Koseisho of a JNDA for the applicable Licensed Product in Japan.

1.39 “Know-How” means **[***]***.**

1.40 “Koseisho” means the Japanese Ministry of Health and Welfare, or any successor agency thereto.

1.41 “Laws” means all laws, statutes, rules, regulations, ordinances and other pronouncements having the effect of law of any federal, national, multinational, state, provincial, county, city or other political subdivision, agency or other body, domestic or foreign.

1.42 “License” means any agreement transferring rights with respect to any Licensed Compound or any Licensed Product by Retrophin (or an Affiliate of Retrophin) to any Third Party licensee, including any license, sublicense, co-development, co-promotion, distribution, joint venture, development and commercialization collaboration or similar transaction involving a transfer of rights with respect to a Licensed Compound or Licensed Product. “License” shall also include any further transfer of such rights by a Third Party licensee to any other Third Party. “License” also refers to the corresponding arrangement for the grant by Retrophin of rights back to BMS and Ligand with respect to one or more Licensed Compound(s) and Licensed Product(s) pursuant to Article 3.

1.43 “Licensed Compounds” means:

(a) the **[***]**;

(b) any **[***]**;

(c) any **[***]**; and

(d) any **[***]**.

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1.44 "Licensed Product" means any pharmaceutical product containing a Licensed Compound (alone or with other active ingredients), in all forms, presentations, formulations and dosage forms.

1.45 "Listed Compounds" means those compounds identified in Appendix 4.

1.46 "Losses and Claims" has the meaning set forth in Section 12.1.

1.47 "MAA Approval" means approval by the EMEA of a marketing authorization application ("MAA") filed with the EMEA for the applicable Licensed Product under the centralized European procedure. If the centralized EMEA filing procedure is not used, MAA Approval shall be achieved upon the first Approval for the applicable Licensed Product in any two of the following countries: France, Germany, Italy, Spain or the United Kingdom.

1.48 "MAA Filing" means the submission to the EMEA of a MAA for the applicable Licensed Product under the centralized European procedure. If the centralized EMEA filing procedure is not used, MAA Filing shall be achieved upon the first filing of a marketing authorization application for the applicable Licensed Product in any two of the following countries: France, Germany, Italy, Spain or the United Kingdom.

1.49 "Major Market Countries" means the**[*******]*****. "Major Market Country" **[***]**.

1.50 "NDA" means a New Drug Application filed with the FDA required for marketing approval for the applicable Licensed Product in the U.S.

1.51 "NDA Approval" means the approval of a NDA by the FDA for the applicable Licensed Product in the U.S.

1.52 "NDA Filing" means the submission to the FDA of a NDA for the applicable Licensed Product.

1.53 "Net Sales" means, with respect to any **[***]**:

(a) **[***]**; *provided, however*, that where any such **[***]**;

(b) **[***]**;

(c) **[***]**; and

(d) **[***]**.

Net Sales shall be determined **[***]**. In the case of any Combination Product sold in the Territory, Net Sales for such Combination Product shall be calculated by **[***]**.

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Net Sales shall not include any **[***]**.

1.54 "Orphan Licensed Product" means a Licensed Product that receives orphan drug designation from the FDA pursuant to 21 C.F.R. Part 316, or from a Regulatory Authority pursuant to a comparable rule or regulation in a foreign jurisdiction, including the orphan indications set forth in the Development Plan.

1.55 "Other Patent Rights" means (i) **[***]*** (a) **[***]** or (b) **[***]** and (ii) **[***]**.

1.56 "Patent Rights" means the Core Patent Rights and the Other Patent Rights.

1.57 "Person" means any individual, firm, corporation, partnership, limited liability company, trust, business trust, joint venture company, governmental authority, association or other entity.

1.58 "Phase 2 Trial" means a human clinical trial of a Licensed Product, the principal purpose of which is a determination of safety and efficacy in the target patient population, as described in 21 C.F.R. 312.21(b), or a similar clinical study prescribed by the Regulatory Authorities in a foreign country. For purposes of this Agreement, "initiation of a Phase 2 Trial" for a Licensed Product means the first dosing of such Licensed Product in a human patient in a Phase 2 Trial.

1.59 "Phase 3 Trial" means a human clinical trial of a Licensed Product on a sufficient number of subjects that is designed to establish that a pharmaceutical product is safe and efficacious for its intended use, and to determine warnings, precautions, and adverse reactions that are associated with such pharmaceutical product in the dosage range to be prescribed, which trial is intended to support Approval of a Licensed Product, as described in 21 C.F.R. 312.21(c), or a similar clinical study prescribed by the Regulatory Authorities in a foreign country. For clarity, any human clinical trial may qualify as a Phase 3 Trial if it supports Approval of a Licensed Product without the need to conduct a Phase 3 Trial. For purposes of this Agreement, "initiation of a Phase 3 Trial" for a Licensed Product means the first dosing of such Licensed Product in a human patient in a Phase 3 Trial.

1.60 "Phase 4 Trial" means a human clinical trial for a Licensed Product commenced after receipt of Approval in the country for which such trial is being conducted and that is conducted within the parameters of the Approval for the Licensed Product. Phase 4 Trials may include epidemiological studies, modeling and pharmacoeconomic studies, investigator sponsored clinical trials of the Licensed Product and post-marketing surveillance studies.

1.61 "Proprietary Compound of BMS or Ligand" means any compound or other agent being developed or sold, (a) as of the March 27, 2006 or at any time thereafter, by BMS or its Affiliates, or their contractors or collaborators, or (b) as of the Effective Date or any time thereafter, by Ligand or its Affiliates, or their contractors or collaborators.

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1.62 “Regulatory Authority” means any national or supranational governmental authority, including the FDA, EMEA or Koseisho (i.e., the Japanese Ministry of Health and Welfare, or any successor agency thereto), that has responsibility in countries in the Territory over the Development and/or Commercialization of Licensed Compounds and Licensed Products.

1.63 “Sublicensee” means any Third Party to whom rights are transferred with respect to any Licensed Compound or Licensed Product, including through any license, sublicense, co-development, co-discovery, co-promotion, distribution, joint venture, Development and Commercialization collaboration or similar transaction between a Party (or an Affiliate of a Party) and a Third Party. “Sublicensee” shall also include any Third Party to whom such rights are transferred through further sublicense by a Sublicensee. “Sublicensee” shall include any Third Party that is a party to a License agreement.

1.64 “Territory” means any country in the world.

1.65 “Third Party” means any Person other than Retrophin, Ligand and their respective Affiliates.

1.66 “Title 11” has the meaning set forth in Section 13.7.

1.67 “United States” or “U.S.” means the United States of America and its territories and possessions (including Puerto Rico).

1.68 **[***]*****.

1.69 “Valid Claim” means a claim of (i) an issued and unexpired patent or a supplementary protection certificate, which claim has not been held invalid or unenforceable by a court or other government agency of competent jurisdiction from which no appeal can be or has been taken and has not been held or admitted to be invalid or unenforceable through re-examination or disclaimer, opposition procedure, nullity suit or otherwise or (ii) a pending patent application; *provided*, *however*, that if a claim of a pending patent application shall not have issued within **[*******]***** Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.** after the earliest filing date from which such claim takes priority, such claim shall not constitute a Valid Claim for the purposes of this Agreement unless and until a patent issues with such claim.

ARTICLE 2.
LICENSE GRANTS

2.1 Patent Rights and Know-How.

*** Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

2.1.1 Core Patent Rights and Know-How. Subject to the terms and conditions set forth in this Agreement (including the reservation of rights in Section 2.5), Ligand hereby grants to Retrophin a non-transferable (except in accordance with Section 15.4), exclusive sublicense, with the right to further sublicense in accordance with Section 2.2, under the Core Patent Rights and Know-How solely to the extent reasonably necessary to, make, use (including in activities directed at the research and Development of Licensed Compounds), have made, sell, have sold, offer to sell, export, import and otherwise exploit or Commercialize Licensed Compounds and Licensed Products in the Field in the Territory.

2.1.2 Other Patent Rights. Subject to the terms and conditions set forth in this Agreement (including the reservation of rights in Section 2.5), Ligand hereby grants to Retrophin a non-transferable (except in accordance with Section 15.4), non-exclusive sublicense, with the right to further sublicense in accordance with Section 2.2, under the Other Patent Rights solely to the extent reasonably necessary or useful to make, use (including in activities directed at the research and Development of Licensed Compounds), have made, sell, offer to sell, export and import and otherwise exploit or Commercialize Licensed Compounds and Licensed Products in the Field in the Territory, *provided*, *however*, that no rights are granted under this Section 2.1.2 (or otherwise under this Agreement) with respect to any Proprietary Compound of BMS or Ligand. For clarification, no rights are granted under this Section 2.1.2 (or otherwise under this Agreement) to co-formulate or use in combination a Licensed Compound with any Proprietary Compound of BMS or Ligand. The rights granted by Ligand to Retrophin under this Section 2.1.2 include the right to make, have made, use (including in activities directed at the research and Development of Licensed Compounds), export and import intermediates and starting materials reasonably necessary for the manufacture of Licensed Compounds, and to practice methods reasonably necessary for the manufacture of Licensed Compounds, and to practice methods reasonably necessary for manufacturing such intermediates and starting materials, but only for the purposes of manufacturing, using, importing or exporting Licensed Compounds in the Field in the Territory. For clarification, no rights are granted to sell or offer to sell any such intermediates or starting materials, or use such intermediates or starting materials for any purpose other than for the purposes of manufacturing Licensed Compounds.

2.2 Sublicenses.

2.2.1 Retrophin shall have the right to grant sublicenses with respect to the rights licensed to Retrophin under Sections 2.1.1 and 2.1.2 to any Affiliate of Retrophin for so long as such Affiliate remains an Affiliate of Retrophin; *provided*, *however*, that (i) such Affiliate shall agree in writing to be bound by and subject to the terms and conditions of this Agreement in the same manner and to the same extent as Retrophin and (ii) Retrophin shall remain responsible for the performance of this Agreement and shall cause such Affiliate to comply with the terms and conditions of this Agreement. In addition, Retrophin shall have the right to grant sublicenses with respect to the rights licensed to Retrophin under Sections 2.1.1 and 2.1.2 to Third Parties.

2.2.2 Retrophin shall have the right to enter into a License agreement with a Third Party; *provided*, *however*, to the extent any such License agreement grants rights with respect to any Licensed Compound:

(i) such License agreement shall be consistent with the terms and conditions of this Agreement, and shall not limit (A) Retrophin's ability to perform its obligations under this Agreement, (B) Ligand's rights under this Agreement, (C) **[***]** or (D) **[***]***.**

(ii) in such License agreement, the Sublicensee shall agree in writing to be bound to Retrophin by terms and conditions that are substantially similar to, or less favorable to the Sublicensee than, or otherwise allow Retrophin to fully perform the corresponding terms and conditions of this Agreement;

(iii) such License agreement shall comply with Section 8.10.2 hereof regarding minimum royalty payments;

(iv) promptly after the execution of such License agreement, Retrophin shall provide a copy of such License agreement to Ligand, with financial and other confidential or proprietary commercial terms redacted consistent with the public filing of such license agreement with the Securities and Exchange Commission ("SEC"), or, if not filed with the SEC, then with financial and other confidential or proprietary commercial terms redacted (to the extent that such other commercial terms are not reasonably necessary for Ligand to determine Retrophin's compliance with this Agreement). **[***]**;

(v) Retrophin shall remain responsible for the performance of this Agreement (including its obligations under Sections 5.1.1 and 6.1), the payment of all payments due, making reports and keeping books and records and shall use commercially reasonable efforts to monitor such Sublicensee's compliance with the terms of such License;

(vi) any sublicense rights granted by Retrophin in a License (to the extent such sublicensed rights are granted to Retrophin in this Agreement) shall terminate on a country-by-country and Licensed Product-by-Licensed Product basis effective upon (i) the termination under Section 13.2 of the license from Ligand to Retrophin with respect to such sublicensed rights or (ii) the termination under Section 13.2 of the license from BMS to Ligand with respect to such sublicensed rights; *provided*, *however*, that such sublicensed rights shall not terminate if, as of the effective date of such termination by Ligand under Section 13.2 of this Agreement or BMS under Section 13.2 of the Upstream License Agreement, the Sublicensee is not in material breach of its obligations to Retrophin under its License agreement, and within **[***]** days of such termination the Sublicensee agrees in writing to be bound directly to BMS or Ligand, as the case may be, under a license agreement substantially similar to this Agreement **[***]**, as the case may be, with respect to the rights sublicensed hereunder, substituting such Sublicensee for Retrophin or Ligand, as the case may be; and

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(vii) such Sublicensees shall have the right to grant further sublicenses with respect to the Development or Commercialization of Licensed Products, provided that such further sublicenses shall be in accordance with and subject to all of the terms and conditions of this Section 2.2.

For purposes of clarification, the preceding provisions of this Section 2.2.2 shall not apply to Licensed Compounds with respect to which Retrophin **[***]** Ligand a License.

2.2.3 In accordance with the foregoing, unless Ligand agrees otherwise in writing, any License shall **[***]**.

2.2.4 It shall be a **[***]**.

2.3 No Trademark License. No right or license, express or implied, is granted to Retrophin to use any trademark, trade name, trade dress or service mark owned or Controlled by BMS, Ligand or any of their respective Affiliates. Retrophin, at its sole cost and expense, shall be responsible for the selection, registration and maintenance of all trademarks which it employs in connection with its activities conducted pursuant to this Agreement, if any, and shall own and control such trademarks.

2.4 No Implied Licenses. No license or other right is or shall be created or granted hereunder by implication, estoppel or otherwise. All such licenses and rights are or shall be granted only as expressly provided in this Agreement.

2.5 Retained Rights.

2.5.1 Retrophin understands and agrees that BMS shall retain the rights specified in Section 2.5 of the Upstream License Agreement.

2.5.2 Subject to the Upstream License Agreement, all rights not expressly granted under Section 2.1 are reserved by Ligand and may be used by Ligand for any purpose. Ligand expressly reserves and retains the right (i) to make, have made and use Licensed Compounds for any internal research purposes (including but not limited to for purposes of screening in support of Ligand's internal research programs), (ii) to support the filing and prosecution of patent applications, and (iii) to make, have made and use any Licensed Compound solely for use as an intermediate or starting material in the manufacture of any compound which is not a Licensed Compound.

2.5.3 Subject to the exclusive rights granted to Retrophin under this Article 2 and subject to the restrictions on use of Retrophin's Confidential Information under Article 11, [***]***. For purposes of clarity, nothing in the foregoing shall be construed to reserve to Ligand the right to engage in the discovery, Development and/or Commercialization of Active Compounds Covered by the Core Patent Rights exclusively licensed to Retrophin hereunder.

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2.6 Upstream License Agreement. Notwithstanding anything to the contrary in this Agreement, Retrophin understands and agrees (i) that this Agreement is subordinate to the Upstream License Agreement and the sublicense granted to Retrophin under this Agreement is limited in scope to the rights granted to Ligand in the Upstream License Agreement; (ii) this Agreement may be terminated if the Upstream License Agreement is terminated (iii) it will comply with all provisions of the Upstream License Agreement relevant to its activities as a Sublicensee (as defined in the Upstream License Agreement); (iv) BMS' exercise of its rights under the Upstream License Agreement shall not constitute a breach hereunder; (v) it will not take any action that would result in a breach of the Upstream License Agreement; and (vi) it will cooperate with and assist Ligand to meet its obligations under the Upstream License Agreement. Retrophin acknowledges that it has been provided with a copy of the Upstream License Agreement.

ARTICLE 3.
LIGAND RIGHT OF FIRST NEGOTIATION

3.1 BMS Right of First Negotiation. In the event that Retrophin desires to enter into a License arrangement with respect to any Licensed Compound ("Business Opportunity"), BMS shall be granted the Right of First Negotiation set forth in Article 3 of the Upstream License Agreement. Retrophin shall comply with the terms set forth in Sections 3.1.1 and 3.1.3-3.1.6 of the Upstream License Agreement. For the purposes of this Section 3.1, "Pharmacopeia" shall be replaced with "Retrophin" in Sections 3.1.1 and 3,1.3-3.1.6 of the Upstream License Agreement.

3.2 Ligand Right of Second Negotiation.

3.2.1 In the event that Retrophin desires to enter into a Business Opportunity, before entering into negotiations with any Third Party and after following the procedure set forth in Section 3.1 above, with respect to such License, Retrophin shall notify Ligand and provide Ligand with information necessary or useful to Ligand to evaluate the proposed License arrangement ("Evaluation Information"). The Parties shall negotiate in good faith the terms pursuant to which Ligand may obtain such Business Opportunity for a period of **[***]** days following the date of such notice (such period referred to as the "Ligand Negotiation Period").

3.2.2 Unless otherwise agreed between the Parties, **[***]***.**

3.2.3 Any License agreement entered into by Retrophin with a Third Party shall be consistent with the terms and conditions of this Agreement and shall fully enable Retrophin to fully perform all of its obligations under the Agreement which will continue in effect. As set forth in Section 2.2, any Sublicensee shall be bound by the terms and conditions of this Agreement in the same manner as Retrophin.

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ARTICLE 4.
TRANSFER OF KNOW-HOW

4.1 Documentation. Prior to the Effective Date, Ligand has provided to Retrophin one (1) electronic or paper copy of all documents, data or other information Controlled by Ligand as of the Effective Date to the extent that such documents, data and information are (i) reasonably necessary or useful for the manufacture, Development or Commercialization of the Listed Compounds (including SAR information) and subject to the Know-How license under Section 2.1 and (ii) are reasonably available to Ligand without undue searching; *provided however,* that subject to the last sentence of this Section 4.1, the foregoing shall in no event require Ligand to provide copies of manufacturing run records or laboratory notebook records; *further provided* that if Retrophin determines it needs additional documents, data or information for the manufacture, Development or Commercialization of the Licensed Compounds (including SAR information), Ligand shall use commercially reasonable efforts (at Retrophin's cost and expense) to determine whether it has such additional information and if Ligand has such information, it shall provide such information to Retrophin at Retrophin's cost and expense. Such documentation shall be deemed to be the Confidential Information of Ligand and shall not be used by Retrophin for any purpose other than Development, manufacture or Commercialization of Licensed Compounds and Licensed Products in accordance with this Agreement. Retrophin acknowledges that it has received from Ligand such documents, data and information prior to the Effective Date through access to the electronic data room established by Ligand for the Listed Compound and that Ligand has allowed Retrophin to print such documents. Ligand shall have no obligation to reformat or otherwise alter or modify any such materials, or to create materials in electronic form, in order to provide them to Retrophin; provided, that such information is readable by Retrophin in its current form. Any and all such materials delivered to Retrophin pursuant to this Section 4.1 are and shall remain, as between the Parties, the sole property of Ligand. Notwithstanding the foregoing, if at any time during the term of this Agreement Retrophin identifies particular documents, data or information (including laboratory notebook records) that are within the Know-How, but were not previously delivered to Retrophin, and that are reasonably necessary or useful for the continued manufacture, Development or Commercialization of a Licensed Compound or Licensed Product (including materials requested in connection with an audit or other inquiry by a Regulatory Authority), or are reasonably necessary or useful to support the filing and/or prosecution of patent rights Covering the Licensed Compounds or Licensed Products, Ligand shall promptly provide such material to Retrophin upon request to the extent that such items are in Ligand's possession and are available without undue searching.

4.2 Materials. Ligand shall have no obligation to provide Retrophin with samples of any compounds or other materials (other than the information provided under Section 4.1) under this Agreement, *provided* that upon written request by Retrophin, Ligand will authorize in writing the transfer by [***]*** to Retrophin of all existing clinical supplies of Licensed Product and all existing supplies of the active pharmaceutical ingredient of Licensed

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Product (including other materials that may be provided by or for Ligand to Retrophin pursuant to this Agreement, the "Transferred Materials"). Retrophin shall be responsible for any and all fees charged by [***]*** in connection with the transfer of the Transferred Materials to Retrophin. Any Transferred Materials are provided "AS IS". Retrophin shall be fully responsible for its and its Affiliates', Sublicensees' and contractors' use, storage, handling and disposition of the Transferred Materials. Under no circumstances shall Ligand be liable or responsible for Retrophin's or its Affiliates', Sublicensees' and contractors' use, storage, handling or disposition of the Transferred Materials, and Retrophin assumes sole responsibility for any claims, liabilities, damages and losses that might arise as a result of Retrophin's and its Affiliates', Sublicensees' and contractors' use, storage, handling or disposition of any Transferred Material. Retrophin shall indemnify, defend and hold harmless Ligand and its Affiliates, and their respective officers, directors, employees, agents, licensors, and their respective successors, heirs and assigns and representatives, from and against any and all damages, liabilities, losses, costs and expenses (including, without limitation, reasonable legal expenses, costs of litigation and reasonable attorney's fees) arising in connection with any claims, suits, proceedings, whether for money damages or equitable relief, of any kind, arising out of or relating, directly or indirectly, to Retrophin's, or any of its Affiliates', Sublicensees' or contractors' use, storage, handling or disposition of any Transferred Material. Transferred Materials may only be provided to Retrophin, its Affiliates, Sublicensees and contractors. The Transferred Materials shall be used by Retrophin solely for purposes of supporting the Development of the Licensed Compounds and Licensed Products.

ARTICLE 5.
DEVELOPMENT

5.1 Development and Development Plan.

5.1.1 Commercially Reasonable Efforts. Retrophin (or its Sublicensees, as applicable) shall use sustained Commercially Reasonable Efforts to Develop at least one Licensed Compound and Licensed Product, including using Commercially Reasonable Efforts to expeditiously carry out the clinical development for the Licensed Compounds and Licensed Products (including expeditiously pursuing regulatory filings and Approvals and marketing authorizations for at least one Licensed Compound and Licensed Product) in accordance with the Development Plan.

5.1.2 Development Plan. The initial Development Plan is attached hereto as Appendix 3 to the Agreement.

5.2 Development Reports. Retrophin will provide Ligand with (a) semi-annual written development reports within **[***]** days following June and December of each **[***]** and (b) quarterly telephonic development reports within **[***]** days following March and September of each **[***]**, in each case presenting a summary of the Development activities

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accomplished by Retrophin during the applicable period, including as applicable updates to the Development Plan, and significant results, information and data generated with respect to Licensed Compounds and Licensed Products. Upon reasonable request by Ligand, Retrophin shall also meet in-person with Ligand to review Retrophin's Development activities for the Licensed Compounds and Licensed Products. In addition, prior to Retrophin entering into a License agreement with a Third Party, upon reasonable request by Ligand, but no more than once per **[***]**, Retrophin shall present to Ligand, at Retrophin's facilities, summaries of (and, at the request of Ligand, with copies of) clinical protocols, investigator brochures, regulatory submissions and correspondence from regulatory agencies with respect to Licensed Compound and Licensed Product that have been prepared or received by Retrophin as of the date of such request by Ligand.

5.3 Records. Retrophin shall maintain complete and accurate records of all work conducted in furtherance of the Development and Commercialization of the Licensed Compounds and Licensed Products and all material results, data and developments made in conducting such activities. Such records shall be maintained sufficient detail and in good scientific manner appropriate for patent and regulatory purposes. If Ligand believes in good faith that Retrophin may not be complying with its obligations under this Section 5.3, Ligand shall provide written notice thereof to Retrophin identifying the basis for Ligand's belief, and Retrophin shall allow an independent Third Party that has expertise in reviewing the books and records and financial information, obligations and agreements of pre-clinical and clinical stage bio-technology companies, as to which Retrophin has no reasonable objection, to review such records on behalf of Ligand to verify that Retrophin is complying with this Section 5.3. Such review shall be conducted no more frequently than once per any twelve (12) month period, at Ligand's cost and upon reasonable advance notice at mutually agreed upon times during normal business hours; *provided*, *however*, if the independent Third Party determines that Retrophin is not in compliance with this Section 5.3 and Retrophin would owe Ligand at least 10% more in royalties or other payments, Retrophin shall reimburse Ligand for all costs and expenses related to the independent Third Party's review.

5.4 Development Responsibilities and Costs. Retrophin shall have sole responsibility for, and shall bear the cost of conducting, all Development with respect to the Licensed Compounds and Licensed Products.

5.5 Regulatory Responsibilities and Costs. Retrophin **[***]***. Retrophin shall be responsible for meeting the requirements of all pre-approval inspections required by any Regulatory Authorities. Except as set forth in Section 13.4, Retrophin or its Affiliate or Sublicensee shall own all INDs, NDAs, Approvals and submissions in connection therewith and all Approvals shall be obtained by and in the name of Retrophin or its Affiliate or Sublicensee.

5.6 Subcontracting. Subject to and without limiting Section 2.2, Retrophin may perform any activities in support of its Development or Commercialization of Licensed

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Compounds and Licensed Products through subcontracting to a Third Party contractor or contract service organization; *provided, however*: (a) Retrophin shall enter into an appropriate written agreement with any such Third Party subcontractor such that the subcontractor shall be bound by all applicable provisions of this Agreement to the same extent as Retrophin and such that Ligand's rights under this Agreement and BMS' rights under the Upstream License Agreement are not adversely affected; (b) any such Third Party subcontractor to whom Retrophin discloses Confidential Information of Ligand shall enter into an appropriate written agreement obligating such Third Party to be bound by obligations of confidentiality and restrictions on use of such Confidential Information that are no less restrictive than the obligations in this Agreement; (c) Retrophin will obligate such Third Party to agree in writing to assign or license (with the right to grant sublicenses) to Retrophin any inventions (and any patent rights covering such inventions) made by such Third Party in performing such services for Retrophin; and (d) Retrophin shall at all times be responsible for the performance of such subcontractor.

ARTICLE 6.
COMMERCIALIZATION

6.1 Retrophin Obligations. Retrophin (or its Sublicensees, as applicable) shall use sustained Commercially Reasonable Efforts to Commercialize at least **[***]** Licensed Product in the Territory, including the Major Market Countries. Without limiting the foregoing, Retrophin shall:

6.1.1 use Commercially Reasonable Efforts to obtain Approvals in a Major Market Country with respect to at least **[***]*** Licensed Product and to effect the First Commercial Sale thereof in such country as soon as reasonably practicable after receipt of such Approvals;

6.1.2 Initiation of a Phase 2 Trial for at least **[***]** Licensed Compound no later than **[***]**;

6.1.3 File for Approval for at least **[***]** Orphan Licensed Product no later than **[***]**; and

6.1.4 File for Approval for at least **[***]** Licensed Product other than the first Orphan Licensed Product no later than **[***]**.

6.2 Continued Availability. Following the First Commercial Sale of a Licensed Product in a Major Market Country in the Territory and until the expiration or termination of this Agreement, Retrophin shall use Commercially Reasonable Efforts to supply and keep such Licensed Product reasonably available to the public in such country.

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6.3 Marking. Each Licensed Product Commercialized by Retrophin under this Agreement shall be marked (to the extent not prohibited by applicable Laws): (i) with a notice that such Licensed Product is sold under a license from BMS and Ligand and (ii) with applicable patent and other intellectual property notices relating to the Core Patent Rights in such a manner as may be required by applicable Law.

6.4 Reports. Retrophin shall provide Ligand with semi-annual written reports within [***]*** days following the end of June and December of each **[***]** summarizing significant commercial activities and events with respect to Licensed Products during the just ended six month period.

ARTICLE 7.
MANUFACTURE AND SUPPLY

7.1 Manufacture and Supply. Retrophin shall be solely responsible at its expense for making or having made all of its requirements of the Licensed Compounds and Licensed Products.

ARTICLE 8.
FINANCIAL TERMS

8.1 Consideration. In partial consideration of the rights granted by Ligand to Retrophin pursuant to this Agreement, Retrophin shall make the payments to Ligand as provided for in this Article 8.

8.2 Development Milestone Payments.

8.2.1 Development Milestone Payments. Retrophin shall make milestone payments to Ligand upon achievement of each of the milestone events in the amounts set forth below in Table 1. The first milestone payment shall be payable by Retrophin to Ligand within **[***]** days of execution of the Agreement. Notwithstanding Section 15.4 or any other provision herein, the last milestone payment shall be payable by Retrophin to Ligand upon the Closing of Retrophin's Exit Transaction. Subject to Section 8.2.2, the remainder of the milestone payments set forth below will be payable by Retrophin to Ligand within **[***]** days of the achievement of the specified milestone event with respect to each Licensed Compound. The milestone payments shall not be refundable or returnable in any event, nor shall they be creditable against royalties or other payments.

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Table 1

Milestone Event	Milestone Payment
Execution of Agreement	$1.15 million
[***]	$**[***]**
[***]	$**[***]**
[***]	$**[***]**
[***]	$**[***]**
[***]	$**[***]**
[***]	$**[***]**
[***]	$**[***]**
[***]	$**[***]**
[***]	$**[***]**
[***]	$**[***]**

In the event that a milestone event is achieved that triggers a development milestone payment as set forth above, if the **[***].** For example, **[***]**.

8.2.2 **[***]**.

8.2.3 **[***]***.**

8.3 Royalty Payments.

8.3.1 Retrophin shall pay to Ligand in cash the following royalty payments on the total aggregate annual Net Sales in the Territory of all Licensed Products in a particular **[***]** by Retrophin, its Affiliates, and Sublicensees in the Territory:

Aggregate Annual Worldwide Net Sales of All Licensed Products in a **[***]**	Royalty Rate for Licensed Products in a **[***]**
Up to **[***]** Dollars ($**[***]**)	**[***]** %
More than **[***]** Dollars ($**[***]**)	**[***]** %

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By way of example, in a given **[***]**, if the aggregate annual worldwide Net Sales for all Licensed Products is $**[***]**, the royalty payment under this Section 8.3.1 would be calculated in accordance with the following formula: **[***]** Million Dollars.

8.3.2 Royalty Term. Royalties shall be payable on a **[***]** of (i) **[***]** or (ii) **[***]** or (iii) **[***]**.

8.3.3 **[***]**. **[***]**. Prior to Retrophin or its Sublicensee exercising its **[***]** under this Section 8.3.3, Retrophin shall provide Ligand with **[***]**. The Parties shall discuss the best course of action to resolve such potential **[***]**, provided that such discussions shall not limit or delay Retrophin's or its Sublicensee's right to **[***]**.

Except as set forth above, **[***]**.

8.3.4 Royalty Conditions. The royalties under Section 8.3.1 shall be subject to the following conditions:

a) that only one royalty shall be due with respect to the same unit of Licensed Product;

b) that no royalties shall be due upon the sale or other transfer among Retrophin, its Affiliates, or Sublicensees, but in such cases the royalty shall be due and calculated upon Retrophin's or its Affiliate's or Sublicensee's Net Sales of Licensed Product to the first independent Third Party; and

c) no royalties shall accrue on the disposition of Licensed Product in reasonable quantities by Retrophin, its Affiliates or Sublicensees as part of an expanded access program, as *bona fide* samples, as part of Phase 4 Trials or as donations to non-profit institutions or government agencies for non-commercial purposes; *provided, however,* in each case, that neither Retrophin, its Affiliate or Sublicensees receives any payment for such Licensed Product.

8.4 Manner of Payment. All payments to be made by Retrophin hereunder shall be made in Dollars by wire transfer of immediately available funds to such United States bank account as shall be designated by Ligand. Late payments shall bear interest at the rate provided in Section 8.9.

8.5 Sales Reports and Royalty Payments. After the First Commercial Sale of a Licensed Product and during the term of this Agreement, Retrophin shall furnish to Ligand a written report, within [***]*** days after the end of each [***] (or portion thereof, if this Agreement terminates during a [***]), showing the amount of royalty due for such [***] (or portion

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thereof). Royalty payments for each **[***]** shall be due at the same time as such written report for the **[***]**. With each **[***]**, Retrophin shall deliver to Ligand a full and accurate accounting to include at least the following information:

[***]

[***]

[***]

[***]

[***]

If no royalty or payment is due for any royalty period hereunder, Retrophin shall so report.

8.6 Sales Record Audit. Retrophin shall keep, and shall cause each of its Affiliates, and Sublicensees, if any, to keep, full and accurate books of accounting in accordance with GAAP as may be reasonably necessary for the purpose of calculating the royalties payable to Ligand. Such books of accounting (including those of Retrophin's Affiliates, and Sublicensees, if any) shall be kept at their principal place of business and, with all necessary supporting data, shall during all reasonable times for the **[***]** years next following the end of the **[***]** to which each shall pertain, be open for inspection at reasonable times upon written notice by Ligand and at Ligand's sole cost, no more than once per any **[***]** month period, by an independent nationally recognized certified public accounting firm selected by Ligand as to which Retrophin has no reasonable objection, for the purpose of verifying royalty statements for compliance with this Agreement. Such accountant must have agreed in writing to maintain all information learned in confidence, except as necessary to disclose to Ligand such compliance or noncompliance by Retrophin. The results of each inspection, if any, shall be**[***]**. Ligand shall pay for such inspections, except that in the event there is any upward adjustment in aggregate royalties payable for the [***]*** period of such inspection of more than **[***]** of the amount paid, Retrophin shall pay for the reasonable out-of-pocket costs of such inspection. Any underpayments shall be paid by Retrophin within **[***]** of notification of the results of such inspection. Any overpayments shall be fully creditable against amounts payable in subsequent payment periods or, if no such amounts become payable within **[***]** days after notification of such results, shall be refunded.

8.7 Currency Exchange. With respect to Net Sales invoiced in Dollars, the Net Sales and the amounts due to Ligand hereunder shall be expressed in Dollars. With respect to Net Sales invoiced in a currency other than Dollars, the Net Sales shall be expressed in the domestic currency of the entity making the sale, together with the Dollar equivalent, calculated using the arithmetic average of the spot rates on the close of business on the last Business Day of

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[***] in which the Net Sales were made. The "closing mid-point rates" found in the "dollar spot forward against the dollar" table published by The Financial Times, or any other publication as may be agreed to by the Parties in writing, shall be used as the source of spot rates to calculate the average as defined in the preceding sentence. All payments shall be made in Dollars.

8.8 Tax Withholding. In the event that any withholding taxes or similar charges are levied or assessed by any taxing authority in the Territory with respect to payments made by Retrophin to Ligand under this Agreement, Retrophin shall pay such taxes or similar charges to the proper taxing authority. Retrophin may deduct the amount of such taxes or similar charges paid by Retrophin to such taxing authority from the applicable royalties or other payment otherwise payable to Ligand, subject to the following. Retrophin shall promptly provide Ligand with evidence of such tax payment obligation together with an original receipt for such tax payments (or a certified copy, if the original is not available) and other documentation as Ligand reasonably determines is required for the purpose of Ligand's tax returns. Retrophin, its Affiliates and Sublicensees shall cooperate with Ligand to enable the claiming of a reduction or exemption from withholding taxes on payments under any applicable convention on the avoidance of double taxation or similar agreement in force and shall provide to Ligand proper evidence of payments of withholding tax and assist Ligand by obtaining or providing in as far as possible the required documentation for the purpose of Ligand's tax returns. Retrophin's obligation vis-a-vis the tax authorities shall remain unaffected by the provisions of this Section 8.8.

8.9 Interest Due. Without limiting any other rights or remedies available to Ligand, Retrophin shall pay Ligand interest on any payments that are not paid on or before the date **[***]** days after the date such payments are due under this Agreement at a rate of one and **[***]** per month or the maximum applicable legal rate, if less, calculated on the total number of days payment is delinquent.

8.10 **[***]***.**

8.10.1 In addition to the above milestone and royalty payments, Retrophin shall pay to Ligand the following **[***]**:

a) **[***]**; and

b) **[***]**.

8.10.2 **[***]**:

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[***] **[***]**

[***]

[***]

[***] **[***]**

8.10.3 Such **[***]**. Such **[***]** to Ligand shall be due within **[***]** days following **[***]**.

8.10.4 For purposes of this Section 8.10, **[***],** but does not include (i) **[***]** or (ii) **[***]*****.**

ARTICLE 9.
REPRESENTATIONS AND WARRANTIES; DISCLAIMER;
LIMITATION OF LIABILITY

9.1 Mutual Representations and Warranties. Each Party represents and warrants to the other Party that (i) it has all requisite corporate power and authority to enter into this Agreement and to perform its obligations under this Agreement, (ii) execution of this Agreement and the performance by such Party of its obligations hereunder have been duly authorized, (iii) this Agreement is legally binding and enforceable on such Party in accordance with its terms and (iv) the performance of this Agreement by it does not create a material breach or material default under any other agreement to which it is a Party.

9.2 Representations, Warranties and Covenants of Ligand. Ligand represents, warrants and covenants that as of the Effective Date: (i) there is no litigation pending, or to the knowledge of Ligand threatened, which alleges, or any written communication alleging, that Ligand's activities with respect to the Patent Rights or the Licensed Compounds have infringed or misappropriated any of the intellectual property rights of any Third Party, (ii) all fees (including legal fees) required to be paid by Ligand in order to maintain the Patent Rights have been paid to date, (iii) it has not previously granted, assigned, transferred, conveyed, encumbered, mortgaged, pledged, hypothesized or licensed (or granted an option to assign, transfer, convey, encumber, mortgage, pledge, hypothesize or license) its right, title and interest in the Patent Rights or the Know-How, (iv) all of its actions related to its use of the Patent Rights and Know-How and the Development and Commercialization of the Licensed Compounds and Licensed Products complied with all applicable legal requirements and complied in all material respects with all regulatory requirements (except for the actions of Ligand's clinical research organization, Cetero Research, as to which no representations or warranties are made hereunder), (v) to the knowledge of Ligand (A) the Patent Rights and Know-How are subsisting, valid and enforceable and Ligand has not received any notice of a claim alleging that any of the Patent Rights infringes or otherwise violates any intellectual property or proprietary right of any Third Party, (B) the manufacture, Development and Commercialization of the Listed Compound by Ligand did not interfere with the intellectual property rights of Third Parties, (C) it has not received any notice that any Person is infringing the Patent Rights and (D) it has not received any notice that a patent application within the Patent Rights is the subject of any pending interference, opposition, cancellation, protest or other challenge or adversarial proceeding, (vi) it has complied with the terms and conditions of the Upstream License Agreement in all material

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respects and has the necessary right, title and power to sublicense the Patent Rights or the Know-How, (vii) it has discontinued its internal drug discovery and development programs for the Listed Compound and that it has no active internal programs for the discovery or development of the Listed Compound and (vii) other than the Core Patent Rights, Ligand does not Control any patent(s) or patent application(s) that are reasonably necessary or useful for the Development or Commercialization of any Listed Compound or that claims the composition of matter of any Listed Compound or a method of manufacture or use of any Listed Compound.

9.3 Representations, Warranties and Covenants of Retrophin.

9.3.1 Retrophin covenants that (i) all of its activities related to its use of the Patent Rights and Know-How, and the Development and Commercialization of the Licensed Compounds and Licensed Products, pursuant to this Agreement shall comply with all applicable legal and regulatory requirements and (ii) it shall not knowingly engage in any activities (A) that use the Patent Rights and/or Know-How in a manner that is outside the scope of the license rights granted to it hereunder or (B) that infringe the intellectual property rights of any Third Party.

9.3.2 Retrophin has not, directly or indirectly, offered, promised, paid, authorized or given, and will not in the future, offer, promise, pay, authorize or give, money or anything of value, directly or indirectly, to any Government Official (as defined below) or Other Covered Party (as defined below) for the purpose of: (i) influencing any act or decision of the Government Official or Other Covered Party; (ii) inducing the Government Official or Other Covered Party to do or omit to do an act in violation of a lawful duty; (iii) securing any improper advantage; or (iv) inducing the Government Official or Other Covered Party to influence the act or decision of a government or government instrumentality, in order to obtain or retain business, or direct business to, any person or entity, in any way related to this Agreement. For purposes of this Agreement: (i) "Government Official" means any official, officer, employee or representative of: (A) any federal, state, provincial, county or municipal government or any department or agency thereof; (B) any public international organization or any department or agency thereof; or (C) any company or other entity owned or controlled by any government; and (ii) "Other Covered Party" means any political party or party official, or any candidate for political office.

9.3.3 Retrophin maintains and shall maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets, including records of payments to any third parties, Government Officials and Other Covered Parties; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

9.3.4 Anti-Corruption Compliance.

9.3.4.1 In performing under this Agreement, Retrophin and its Affiliates agree to comply with all applicable anti-corruption laws, including Foreign Corrupt Practices Act of 1977, as amended ("FCPA") and all laws enacted to implement the OECD Convention on Combating Bribery of Foreign Officials in International Business Transactions.

9.3.4.2 Any third party who represents Retrophin or its Affiliates in connection with, or who will be involved in performing, this Agreement or any related activity, shall certify to compliance with all applicable anti-corruption laws and the obligations set forth in this Section 9.3.5 prior to any involvement in this Agreement or any related activity.

9.3.4.3 Retrophin is not aware of any Government Official or Other Covered Party having any financial interest in the subject matter of this Agreement or in any way personally benefiting, directly or indirectly, from this Agreement.

9.3.4.4 No political contributions or charitable donations shall be given, offered, promised or paid at the request of any Government Official or Other Covered Party that is in any way related to this Agreement or any related activity, without Ligand's prior written approval.

9.3.4.5 In the event that Retrophin violates the FCPA or any applicable anti-corruption law or breaches any provision in this Section 9.3, Ligand shall have the right to unilaterally terminate this Agreement.

9.4 Disclaimer. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING ANY EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO ANY PATENT RIGHTS, CONFIDENTIAL INFORMATION OR KNOW-HOW OF SUCH PARTY OR ANY LICENSE GRANTED BY SUCH PARTY HEREUNDER, OR WITH RESPECT TO ANY COMPOUNDS, INCLUDING BUT NOT LIMITED TO THE TRANSFERRED MATERIALS, OR PRODUCTS. FURTHERMORE, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES THAT ANY PATENT, PATENT APPLICATION, OR OTHER PROPRIETARY RIGHTS INCLUDED IN PATENT RIGHTS, CONFIDENTIAL INFORMATION OR KNOW-HOW LICENSED BY SUCH PARTY TO THE OTHER PARTY HEREUNDER ARE VALID OR ENFORCEABLE OR THAT USE OF SUCH PATENT RIGHTS, CONFIDENTIAL INFORMATION OR KNOW-HOW CONTEMPLATED HEREUNDER DOES NOT INFRINGE ANY PATENT RIGHTS OR OTHER INTELLECTUAL PROPERTY RIGHTS OF ANY THIRD PARTY.

9.5 Limitation of Liability. NOTWITHSTANDING ANYTHING IN THIS AGREEMENT OR OTHERWISE, NEITHER PARTY SHALL BE LIABLE TO THE OTHER WITH RESPECT TO ANY SUBJECT MATTER OF THIS AGREEMENT, WHETHER UNDER ANY CONTRACT, NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL OR EQUITABLE THEORY, FOR ANY INCIDENTAL, INDIRECT, SPECIAL, EXEMPLARY, PUNITIVE, MULTIPLE, OR CONSEQUENTIAL DAMAGES (INCLUDING

CONSEQUENTIAL DAMAGES CONSISTING OF LOST PROFITS, LOSS OF USE, DAMAGE TO GOODWILL, OR LOSS OF BUSINESS) AND, IN ANY CASE, LIGAND SHALL NOT BE LIABLE IN AN AMOUNT GREATER THAN THE AMOUNTS PAID BY RETROPHIN TO LIGAND UNDER ARTICLE 8 OF THIS AGREEMENT; *PROVIDED*, *HOWEVER*, THAT THE FOREGOING SHALL NOT APPLY TO ANY BREACH BY RETROPHIN OF THE LICENSES GRANTED TO IT UNDER THIS AGREEMENT THAT IS AN INFRINGEMENT OF PATENT RIGHTS NOT INCLUDED IN THE PATENT RIGHTS LICENSED TO RETROPHIN HEREUNDER, OR ANY BREACH BY EITHER PARTY OF THIS ARTICLE 9 OR ARTICLE 11 HEREOF.

ARTICLE 10.
OWNERSHIP; PATENT MAINTENANCE; INFRINGEMENT; EXTENSIONS

10.1 Ownership of Inventions. Inventorship of inventions conceived or reduced to practice in the course of activities performed under or contemplated by this Agreement shall be determined by application of United States patent Laws pertaining to inventorship. If such inventions are jointly invented by one or more employees, consultants or contractors of each Party, such inventions shall be jointly owned ("Joint Invention"), and if one or more claims included in an issued patent or pending patent application which is filed in a patent office in the Territory claim such Joint Invention, such claims shall be jointly owned ("Joint Patent Rights"). If such an invention is solely invented by an employee, consultant or contractor of a Party, such invention shall be owned by such Party, and any patent filed claiming such solely owned invention shall also be owned by such Party. Subject to Section 5.6 with respect to contractors, each Party shall enter into binding agreements obligating all employees, consultants and contractors performing activities under or contemplated by this Agreement, including activities related to the Patent Rights, Licensed Compounds or Licensed Products, to assign his/her interest in any invention conceived or reduced to practice in the course of such activities to the Party for which such employee, consultant or contractor is providing its services. This Agreement shall be understood to be a joint research agreement in accordance with 35 U.S.C. § 103(c)(3) to develop the Licensed Compounds and Licensed Products. The filing, prosecution, maintenance and enforcement of Joint Patent Rights which are Core Patent Rights shall be handled in accordance with this Article 10.

10.2 Filing, Prosecution and Maintenance of Core Patent Rights. Retrophin shall be responsible, using outside patent counsel selected by Retrophin and acceptable to Ligand, such acceptance not to be unreasonably withheld or delayed, for the preparation, prosecution (including, without limitation, any interferences, reissue proceedings and reexaminations) and maintenance of Core Patent Rights. Promptly following the Effective Date, the Parties shall cooperate to expeditiously transfer such responsibility for the further preparation, prosecution and maintenance of Core Patent Rights to such outside patent counsel. Retrophin shall be responsible for all costs incurred by Retrophin with respect to such preparation, prosecution and maintenance of Core Patent Rights so long as Retrophin remains responsible for such preparation, prosecution and maintenance. Upon request by Ligand, Retrophin (or its patent counsel) shall provide Ligand with an update of the filing, prosecution and maintenance status for each of the Core Patent Rights. Each Party shall reasonably consult with and cooperate with the other Party with respect to the preparation, prosecution and

maintenance of the Core Patent Rights reasonably prior to any deadline or action with the U.S. Patent & Trademark Office or any foreign patent office, and Retrophin (or its patent counsel) shall furnish to Ligand copies of all relevant documents reasonably in advance of such consultation. Retrophin (or its patent counsel) shall provide to Ligand copies of any papers relating to the filing, prosecution or maintenance of the Core Patent Rights promptly upon their being filed or received. Retrophin shall not knowingly take any action during prosecution and maintenance of the Core Patent Rights that would materially adversely affect them (including any reduction in claim scope), without Ligand's prior consent, such consent not to be unreasonably withheld, conditioned or delayed.

10.3 Patent Abandonment.

10.3.1 Generally. In no event will Retrophin knowingly permit any of the Core Patent Rights to be abandoned in any country in the Territory or elect not to file a new patent application claiming priority to a patent application within the Core Patent Rights either before such patent application's issuance or within the time period required for the filing of an international (i.e., Patent Cooperation Treaty), regional (including European Patent Office) or national application, without Ligand first being given an opportunity to assume full responsibility for the continued prosecution and maintenance of such Core Patent Rights, or the filing of such new patent application. Accordingly, Retrophin (or its patent counsel) shall provide Ligand with notice of the allowance and expected issuance date of any patent within the Core Patent Rights, or any of the aforementioned filing deadlines, and Ligand shall provide Retrophin with prompt notice as to whether Ligand desires Retrophin to file such new patent application. In the event that Retrophin decides either (i) not to continue the prosecution or maintenance of a patent application or patent within Core Patent Rights in any country or (ii) not to file such new patent application requested to be filed by Ligand, Retrophin shall provide Ligand with notice of this decision at least **[***]*** days prior to any pending lapse or abandonment thereof.

10.3.2 Ligand Option to Assume Responsibility. Ligand shall thereupon have the right, but not the obligation, to assume responsibility for all reasonably documented external costs (subject to Section 10.3.3) thereafter incurred associated with the filing and/or further prosecution and maintenance of such patents and patent applications, on a patent-by-patent and country-by-country basis. The outside patent counsel selected by Retrophin shall proceed with such filing and/or further prosecution and maintenance promptly upon receipt of written notice from Ligand of its election to assume such responsibility, with such filing to occur prior to the issuance of the patent to which the application claims priority or expiration of the applicable filing deadline, as set forth above. In the event that Ligand assumes such responsibility for such filing, prosecution and maintenance costs (subject to Section 10.3.3), upon the reasonable request by Ligand, Retrophin shall transfer the responsibility for such filing, prosecution and maintenance of such patent applications and patents to outside patent counsel selected by Ligand; *provided, however,* Retrophin shall (i) provide sufficient written

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notice to Ligand of any such election such that the relevant transfer shall not prejudice the filing, prosecution and/or maintenance of patent rights (where possible, such notice shall be provided at least [***]*** days prior to any pending lapse or abandonment thereof); (ii) transfer or cause to be transferred to Ligand or its patent counsel the complete prosecution file for the relevant patents and patent applications, including all correspondence and filings with patent authorities with respect thereto; and (iii) at the reasonable request of Ligand and without demanding any further consideration therefore, do all things necessary, proper or advisable, including without limitation the execution, acknowledgment and recordation of specific assignments, oaths, declarations and other documents on a country-by-country basis, to assist Ligand in obtaining, perfecting, sustaining and/or enforcing such patent(s). Such patent applications and patents shall otherwise continue to be subject to all of the terms and conditions of the Agreement in the same way as the other Core Patent Rights, as applicable.

10.3.3 Retrophin Responsibility for Patent Costs. Notwithstanding anything to the contrary under this Article 10, unless the Parties otherwise agree in writing, Retrophin shall remain responsible for all costs incurred after the Effective Date with respect to preparation, prosecution and maintenance of the Core Patent Rights covering Licensed Compounds.

10.4 Enforcement of Core Patent Rights Against Infringers.

10.4.1 Enforcement by Retrophin.

a) In the event that Ligand or Retrophin becomes aware of a suspected infringement of any Core Patent Right exclusively licensed to Retrophin under this Agreement, such Party shall notify the other Party promptly, and following such notification, the Parties shall confer. Retrophin shall have the right, but shall not be obligated, to bring an infringement action with respect to such infringement at its own expense, in its own name and entirely under its own direction and control, subject to the following. Ligand shall reasonably assist Retrophin (at Retrophin's expense) in any action or proceeding being prosecuted if so requested, and shall lend its name to and join as a nominal party in such actions or proceedings if reasonably requested by Retrophin or required by applicable Laws. Ligand shall have the right to participate and be represented in any such suit by its own counsel at its own expense. No settlement of any such action or proceeding which restricts the scope, or adversely affects the enforceability, of a Core Patent Right may be entered into by Retrophin without the prior written consent of Ligand, which consent shall not be unreasonably withheld, delayed or conditioned.

b) Ligand shall have the right at its discretion to grant to Retrophin such rights (including assignment of the applicable Core Patent Rights) as may be necessary for Retrophin to exercise its rights under this Section 10.4 (including defending or enforcing any Core Patent Rights) without Ligand's involvement. In the event of such grant of rights

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(including assignment) with respect to any Core Patent Rights, such Core Patent Rights shall continue to be treated as Core Patent Rights and shall otherwise continue to be subject to all of the terms and conditions of the Agreement in the same way as the other applicable Core Patent Rights. For purposes of clarity, election or non-election by Ligand to grant or assign rights to Retrophin under this Section 10.4.1(b) shall not limit Ligand's obligations under Section 10.4.1(a) to reasonably assist Retrophin in any action or proceeding, or to join in such action or proceeding upon request by Retrophin if such joinder is necessary under applicable Laws for Retrophin to exercise its rights under this Section 10.4.

10.4.2 Enforcement by Ligand. If Retrophin elects not to bring any action for infringement described in Section 10.4.1 and so notifies Ligand, then Ligand may bring such action at its own expense, in its own name and entirely under its own direction and control, subject to the following. Retrophin shall reasonably assist Ligand (at Ligand's expense) in any action or proceeding being prosecuted if so requested, and shall lend its name to such actions or proceedings if requested by Ligand or required by applicable Laws. Retrophin shall have the right to participate and be represented in any such suit by its own counsel at its own expense. No settlement of any such action or proceeding which restricts the scope, or adversely affects the enforceability, of a Core Patent Right may be entered into by Ligand without the prior written consent of Retrophin, which consent shall not be unreasonably withheld, delayed or conditioned.

10.4.3 Withdrawal. If either Party brings an action or proceeding under this Section 10.4 and subsequently ceases to pursue or withdraws from such action or proceeding, it shall promptly notify the other Party and the other Party may substitute itself for the withdrawing Party under the terms of this Section 10.4.

10.4.4 Damages. In the event that either Party exercises the rights conferred in this Section 10.4 and recovers any damages or other sums in such action, suit or proceeding or in settlement thereof, such damages or other sums recovered shall **[***]**. If such recovery is insufficient **[***]***. If after such [***] any funds shall remain from such damages or other sums recovered, such funds shall be [***] under this** Section 10.4; *provided*, *however*, that if **[***]**.

10.5 Patent Term Extension. Ligand and Retrophin shall each cooperate with one another and shall use commercially reasonable efforts in obtaining patent term extension (including without limitation, any pediatric exclusivity extensions as may be available) or supplemental protection certificates or their equivalents in any country with respect to patent rights covering the Licensed Products. If elections with respect to obtaining such patent term extensions are to be made, Retrophin shall have the right to make the election to seek patent term extension or supplemental protection; *provided*, *however,* such election will be made so as to maximize the period of marketing exclusivity for the Licensed Product. For such purpose, for all Approvals Retrophin shall provide Ligand with written notice of any expected Approval at least

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[***] days prior to the expected date of Approval, as well as notice within **[***]** business days of receiving each Approval confirming the date of such Approval. Notification of the receipt of an Approval shall be in accordance with Section 15.2.

10.6 Data Exclusivity and Orange Book Listings.

10.6.1 With respect to data exclusivity periods (such as those periods listed in the FDA's Orange Book (including without limitation any available pediatric extensions) or periods under national implementations of Article 10.1(a)(iii) of Directive 2001/EC/83, and all international equivalents), Retrophin shall use commercially reasonable efforts consistent with its obligations under applicable Law to seek, maintain and enforce all such data exclusivity periods available for the Licensed Products. With respect to filings in the FDA Orange Book (and foreign equivalents) for issued patents for a Licensed Product, Retrophin shall, consistent with its obligations under applicable Law, list in a timely manner and maintain all applicable Core Patent Rights and other patents Controlled by Retrophin required to be filed by it, or that it is permitted to file, under applicable Law. At least **[***]*** days prior to an anticipated deadline for the filing of patent listing i**nfo**rmation for Core Patent Rights, Retrophin will consult with Ligand regarding the content of such filing. In the event of a dispute between the Pa**rti**es as to whether a Core Patent Right can be filed and/or the content of such filing, the Parties will take expedited steps to resolve the dispute as promptly as possible, including seeking advice of an independent legal counsel to guide their decision. Ligand shall use commercially reasonable efforts consistent with its obligations under applicable Law to provide reasonable cooperation to Retrophin in filing and maintaining such Orange Book (and foreign equivalent) listings.

10.6.2 Without limiting the foregoing, Ligand shall have the right at its discretion to grant to Retrophin such rights (including assignment of the applicable Core Patent Rights) as may be necessary for Retrophin to exercise its rights under this Section 10.6 (including seeking, maintaining and enforcing all data exclusivity periods) without Ligand's involvement. In the event of such grant of rights (including assignment) with respect to any Core Patent Rights, such Core Patent Rights shall continue to be treated as Core Patent Rights and shall otherwise continue to be subject to all of the terms and conditions of the Agreement in the same way as the other applicable Core Patent Rights. For purposes of clarity, election by Ligand to grant or assign rights to Retrophin under this Section 10.6.2 shall not limit Ligand's obligation under Section 10.6.1 to provide reasonable cooperation to Retrophin to the extent such cooperation is reasonably necessary for Retrophin in filing and maintaining such Orange Book (and foreign equivalent) listings.

10.7 Notification of Patent Certification. Each Party shall notify and provide the other Party with copies of any allegations of alleged patent invalidity, enforceability or non-infringement of a Core Patent Right pursuant to a Paragraph IV Patent Certification by a Third Party filing an Abbreviated NDA, an application under §505(b)(2) or other similar patent

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certification by a Third Party, and any foreign equivalent thereof. Such notification and copies shall be provided to the other Party within **[***]** days after such Party receives such certification, and shall be sent to the address set forth in Section 15.2. In addition, upon request by Ligand, Retrophin shall provide reasonable assistance and cooperation (including, without limitation, making available to Ligand documents possessed by Retrophin that are reasonably required by Ligand and making available personnel for interviews and testimony) in any actions reasonably undertaken by Ligand to contest any such patent certification.

ARTICLE 11.
NONDISCLOSURE OF CONFIDENTIAL INFORMATION

11.1 Nondisclosure. Each Party agrees that, for so long as this Agreement is in effect and for a period of [***]*** years thereafter, a Party (the "Receiving Party") receiving or possessing Confidential Information of the other Party (the "Disclosing Party") (or that has received any such Confidential Information from the other Party prior to the Effective Date) shall (i) maintain in confidence such Confidential Information using not less than the efforts such Receiving Party uses to maintain in confidence its own proprietary information of similar kind and value, but in no event shall the Receiving Party use less than a reasonable standard of care, (ii) not disclose such Confidential Information to any Third Party without the prior written consent of the Disclosing Party, except for disclosures expressly permitted below, and (iii) not use such Confidential Information for any purpose except those permitted by this Agreement (it being understood that this clause (iii) shall not create or imply any rights or licenses not expressly granted hereunder).

11.1.1 Confidentiality of Know-How for Disclosure Purposes. During such time as the license to the Know-How granted under Section 2.1 is in effect, solely for disclosure purposes to Third Parties, the Know-How shall be deemed to be Confidential Information of Ligand and Retrophin under Article 11, Ligand and Retrophin shall be deemed to be a Disclosing Party of the Know-How under Article 11, and Ligand and its respective Affiliates shall be deemed not to have known such Know-How prior to disclosure for the purposes of Section 11.1.2(b). Other than for disclosure purposes to Third Parties, the Know-How shall solely be the Confidential Information of Ligand.

11.1.2 Exceptions. The obligations in Section 11.1 shall not apply with respect to any portion of the Confidential Information that the Receiving Party can show by competent proof:

a) is publicly disclosed by the Disclosing Party, either before or after it is disclosed to the Receiving Party hereunder;

b) was known to the Receiving Party or any of its Affiliates, without any obligation to keep it confidential or any restriction on its use, prior to disclosure by the Disclosing Party;

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c) is subsequently disclosed to the Receiving Party or any of its Affiliates by a Third Party lawfully in possession thereof and without any obligation to keep it confidential or any restriction on its use;

d) is published by a Third Party or otherwise becomes publicly available or enters the public domain, either before or after it is disclosed to the Receiving Party; or

e) has been independently developed after disclosure by the Disclosing Party by employees or contractors of the Receiving Party or any of its Affiliates without the aid, application or use of Confidential Information of the Disclosing Party.

11.2 Authorized Disclosure. The Receiving Party may disclose Confidential Information belonging to the Disclosing Party to the extent (and only to the extent) such disclosure is reasonably necessary in the following instances:

a) filing or prosecuting patents;

b) regulatory filings;

c) prosecuting or defending litigation;

d) subject to Section 11.4, complying with applicable governmental Laws and regulations (including the rules and regulations of the Securities and Exchange Commission or any national securities exchange) and with judicial process, if in the reasonable opinion of the Receiving Party's counsel, such disclosure is necessary for such compliance; and

e) disclosure (i) in connection with the performance of this Agreement and solely on a "need to know basis" to Affiliates, potential or actual collaborators (including potential Sublicensees) or employees, contractors or agents; or (ii) solely on a "need to know basis" to potential or actual investment bankers, investors, lenders, or acquirers; each of whom in the case of clause (i) or (ii) prior to disclosure must be bound by written obligations of confidentiality and non-use no less restrictive than the obligations set forth in this Article 11; *provided*, *however*, that the Receiving Party shall remain responsible for any failure by any Person who receives Confidential Information pursuant to this Article 11 to treat such Confidential Information as required under this Article 11.

If and whenever any Confidential Information is disclosed in accordance with this Section 11.2, such disclosure shall not cause any such information to cease to be Confidential Information except to the extent that such disclosure results in a public disclosure of such information (otherwise than by breach of this Agreement). Where reasonably possible and subject to Section 11.4, the Receiving Party shall notify the Disclosing Party of the Receiving Party's intent to make such disclosure pursuant to paragraphs (r) through (v) of this Section 11.2 sufficiently prior to making such disclosure so as to allow the Disclosing Party adequate time to take whatever action it may deem appropriate to protect the confidentiality of the information.

11.3 Terms of this Agreement. The Parties acknowledge that the terms of this Agreement shall be treated as Confidential Information of both Parties.

11.4 Securities Filings. In the event either Party proposes to file with the Securities and Exchange Commission or the securities regulators of any state or other jurisdiction a registration statement or any other disclosure document which describes or refers to this Agreement under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or any other applicable Laws, the Party shall notify the other Party of such intention and shall provide such other Party with a copy of relevant portions of the proposed filing not less than [***]*** business days prior to such filing (and any revisions to such portions of the proposed filing a reasonable time prior to the filing thereof), including any exhibits thereto relating to this Agreement and shall use reasonable efforts to obtain confidential treatment of any information concerning this Agreement that such other Party requests be kept confidential and shall only disclose Confidential Information which it is advised by counsel is legally required to be disclosed. No such notice shall be required under this Section 11.4 if the substance of the description of or reference to this Agreement contained in the proposed filing has been included in any previous filing made by the other Party hereunder or otherwise approved by the other Party.

11.5 Publication.

11.5.1 Publication by Ligand. Ligand may publish or present data and/or results relating to a Licensed Compound or Licensed Product in scientific journals and/or at scientific conferences, subject to the prior review, comment and approval by Retrophin as follows. Ligand shall provide Retrophin with the opportunity to review any proposed abstract, manuscript or presentation which discloses information relating to a Licensed Compound or Licensed Product by delivering a copy thereof to Retrophin no less than **[***]** days before its intended submission for publication or presentation. Retrophin shall have twenty (20) days from its receipt of any such abstract, manuscript or presentation in which to notify Ligand in writing of any specific objections to the disclosure. In the event Retrophin objects to the disclosure in writing within such **[***]** day period, Ligand agrees not to submit the publication or abstract or make the presentation containing the objected-to information until the Parties have agreed to the content of the proposed disclosure and Ligand shall delete from the proposed disclosure any Retrophin Confidential Information or Know-How or the identity of any Licensed Compound or Licensed Product, or any information relating to the Licensed Compound or its improvements that could limit or jeopardize any rights of Retrophin, upon reasonable request by Retrophin. Failure to object to the disclosure in writing within such **[***]** day period shall be deemed approval. Once any such abstract or manuscript is accepted for publication, Ligand will provide Retrophin with a copy of the final version of the manuscript or abstract. For clarification, this Section 11.5.1 shall not limit or restrict Ligand's ability to publish or present publicly information on compounds which are not Licensed Compounds or Licensed Products, provided such publication or presentation does not contain Retrophin Confidential Information or identify any Licensed Compound or Licensed Product. Retrophin acknowledges BMS' right to publish or otherwise publicly disclose any licensed BMS Know-How at any time.

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11.5.2 Publication by Retrophin. Retrophin may publish or present data and/or results relating to a Licensed Compound or Licensed Product in scientific journals and/or at scientific conferences, subject to attribution to Ligand of any data generated by or on behalf of Ligand prior to the Effective Date as well as the prior review and comment by Ligand as follows. Retrophin shall provide Ligand with the opportunity to review any proposed abstract, manuscript or presentation which discloses information relating to a Licensed Compound or Licensed Product by delivering a copy thereof to Ligand no less than [***]*** days before its intended submission for publication or presentation. Ligand shall have **[***]** days from its receipt of any such abstract, manuscript or presentation in which to notify Retrophin in writing of any specific objections to the disclosure, such objections to be limited to matters involving the disclosure of Ligand Confidential Information, or a good faith and documented concern by Ligand that such publication would otherwise result in material commercial harm to Ligand. In the event Ligand objects to the disclosure in writing within such **[***]** day period, Retrophin agrees not to submit the publication or abstract or make the presentation containing the objected-to information until the Parties have agreed to the content of the proposed disclosure, and Retrophin shall delete from the proposed disclosure any Ligand Confidential Information upon the reasonable request by Ligand. The Parties agree to take all reasonable steps to address and resolve a notice of objection by Ligand within **[***]** days of receipt of such notice. Once any such abstract or manuscript is accepted for publication, Retrophin will provide Ligand with a copy of the final version of the manuscript or abstract, a copy of which may be provided to BMS by Ligand.

ARTICLE 12.
INDEMNITY

12.1 Retrophin Indemnity. Retrophin shall indemnify, defend and hold harmless Ligand and its Affiliates, and their respective officers, directors, employees, agents, licensors, and their respective successors, heirs and assigns and representatives, from and against any and all claims, damages, losses, suits, proceedings, liabilities, costs (including reasonable legal expenses, costs of litigation and reasonable attorney's fees) or judgments, whether for money or equitable relief, of any kind, arising out of any claim, action, lawsuit or other proceeding brought by a Third Party ("Losses and Claims") arising out of or relating, directly or indirectly, (i) to the research, Development, Commercialization (including promotion, advertising, offering for sale, sale or other disposition), transfer, importation or exportation, manufacture, labeling, handling or storage, or use of, or exposure to, any Licensed Compound and/or any Licensed Product by or for Retrophin or any of its Affiliates, Sublicensees, agents and/or contractors, (ii) to Retrophin's (or its Affiliates' and/or Sublicensees') use and practice otherwise of the Patent Rights or Know-How, including claims based on (A) product liability, bodily injury, risk of bodily injury, death or property damage, (B) infringement or misappropriation of Third Party patents, copyrights, trademarks or other intellectual property rights or (C) the failure to comply with applicable Laws related to the matters referred to in the foregoing clauses (i) and (ii) with respect to any Licensed Compound and/or any Licensed

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Product, or (iii) Retrophin's gross negligence, recklessness or willful misconduct or Retrophin's material breach of any representation, warranty or covenant set forth in this Agreement; except in any such case for Losses and Claims to the extent reasonably attributable to Ligand having committed an act or acts of gross negligence, recklessness or willful misconduct or having materially breached any representation or warranty set forth in this Agreement.

12.2 Ligand Indemnity. Ligand shall indemnify, defend and hold harmless Retrophin and its Affiliates, and their respective officers, directors, employees, agents, licensors, and their respective successors, heirs and assigns and representatives, from and against any and all Losses and Claims arising out of or relating, directly or indirectly to (i) Ligand's gross negligence, recklessness or willful misconduct or (ii) Ligand's material breach of any representation, warranty or covenant set forth in this Agreement; except in any such case for Losses and Claims to the extent reasonably attributable to Retrophin having committed an act or acts of gross negligence, recklessness or willful misconduct or having materially breached any representation or warranty set forth in this Agreement. For the avoidance of doubt, "Ligand's gross negligence, recklessness or willful misconduct" shall not include any acts or omissions on the part of any Third Parties, including Ligand's clinical research organization, Cetero Research.

12.3 Indemnification Procedure. A claim to which indemnification applies under Section 12.1 or Section 12.2 shall be referred to herein as an "Indemnification Claim". If any Person or Persons (collectively, the "Indemnitee") intends to claim indemnification under this Article 12, the Indemnitee shall notify the other Party (the "Indemnitor") in writing promptly upon becoming aware of any claim that may be an Indemnification Claim (it being understood and agreed, however, that the failure by an Indemnitee to give such notice shall not relieve the Indemnitor of its indemnification obligation under this Agreement except and only to the extent that the Indemnitor is actually prejudiced as a result of such failure to give notice). The Indemnitor shall have the right to assume and control the defense of the Indemnification Claim at its own expense with counsel selected by the Indemnitor and reasonably acceptable to the Indemnitee; *provided*, *however*, that an Indemnitee shall have the right to retain its own counsel, with the fees and expenses to be paid by the Indemnitee, if representation of such Indemnitee by the counsel retained by the Indemnitor would be inappropriate due to actual or potential differing interests between such Indemnitee and any other party represented by such counsel in such proceedings. If the Indemnitor does not assume the defense of the Indemnification Claim as aforesaid, the Indemnitee may defend the Indemnification Claim but shall have no obligation to do so. The Indemnitee shall not settle or compromise the Indemnification Claim without the prior written consent of the Indemnitor, and the Indemnitor shall not settle or compromise the Indemnification Claim in any manner which would have an adverse effect on the Indemnitee's interests (including any rights under this Agreement or the scope or enforceability of the Patents Rights or Know-How), without the prior written consent of the Indemnitee, which consent, in each case, shall not be unreasonably withheld or delayed. The Indemnitee shall reasonably cooperate with the Indemnitor at the Indemnitor's expense and shall make available to the Indemnitor all pertinent information under the control of the Indemnitee, which information shall be subject to Article 11.

12.4 Insurance. Retrophin shall, beginning with the initiation of the first clinical trial for a Licensed Product, maintain at all times thereafter during the term of the

Agreement, and until the later of (i) **[**]*** or (ii) the date **[**]**, comprehensive general liability insurance from a recognized, creditworthy insurance company, on a claims-made basis, with endorsements for contractual liability and product liability, and with coverage limits of not less than **[**]**. The minimum level of insurance set forth herein shall not be construed to create a limit on Retrophin's liability hereunder. Within **[**]** days following written request from Ligand, Retrophin shall furnish to Ligand a certificate of insurance evidencing such coverage as of the date. Retrophin shall use commercially reasonable efforts to cause such certificate of insurance, as well as any certificates evidencing new coverages of Retrophin, to include a provision whereby **[**]** written notice shall be received by Ligand prior to coverage cancellation by either Retrophin or the insurer and of any new coverage. In the case of a cancellation of such coverage, Retrophin shall promptly provide Ligand with a new certificate of insurance evidencing that Retrophin's coverage meets the requirements in the first sentence of this Section 12.4.

ARTICLE 13.
TERM AND TERMINATION

13.1 Term. This Agreement shall commence as of the Effective Date and, unless sooner terminated in accordance with the terms hereof or by mutual written consent, shall continue until neither Party has any obligation under this Agreement to make payments to the other Party.

13.2 Termination By Ligand.

13.2.1 Insolvency. Ligand shall have the right to terminate this Agreement with respect to any or all licenses granted to Retrophin pursuant to Article 2 of this Agreement, at Ligand's sole discretion, upon delivery of written notice to Retrophin upon the filing by Retrophin in any court or agency pursuant to any statute or regulation of the United States or any other jurisdiction a petition in bankruptcy or insolvency or for reorganization or similar arrangement for the benefit of creditors or for the appointment of a receiver or trustee of Retrophin or its assets, or if Retrophin is served with an involuntary petition against it in any insolvency proceeding, upon the **[***]** day after such service if such involuntary petition has not previously been stayed or dismissed, or upon the making by Retrophin of an assignment of substantially all of its assets for the benefit of its creditors.

13.2.2 Breach. Subject to Section 13.2.4 below, Ligand shall have the right to terminate this Agreement with respect to any or all licenses granted to Retrophin pursuant to Article 2 of this Agreement, at Ligand's sole discretion, upon delivery of written notice to Retrophin in the event of any material breach by Retrophin of any terms and conditions of this Agreement (other than failure to use Commercially Reasonable Efforts to Develop or Commercialize the Licensed Compounds and a Licensed Product, which breach is covered under Section 13.2.3); *provided*, *however,* such breach has not been cured within

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forty-five (45) days after written notice thereof is given by Ligand to Retrophin specifying the nature of the alleged breach; *provided*, *however*, that to the extent such material breach involves the failure to make a payment when due, such breach must be cured within twenty (20) days after written notice thereof is given by Ligand to Retrophin.

13.2.3 Failure to Use Commercially Reasonable Efforts. Subject to Section 13.2.4 below, Ligand shall have the right to terminate this Agreement with respect to any or all licenses granted to Retrophin pursuant to Article 2 of this Agreement on a country-by-country basis (except as otherwise set forth in this Section 13.2.3), at Ligand's sole discretion, in the event that Retrophin (a) fails to use Commercially Reasonable Efforts (by itself or through its Affiliates or Sublicensees) to Develop and Commercialize at least one (1) Licensed Compound and Licensed Product or (b) fails to comply with the specific diligence obligations set forth in Sections 6.1.2 and 6.1.3 of this Agreement; *provided*, *however,* that Retrophin has not exercised such Commercially Reasonable Efforts or complied with such specific diligence obligations in the applicable country or countries within sixty (60) days following written notice by Ligand. For clarity, it is understood and acknowledged that Commercially Reasonable Efforts in the Development of a Licensed Compound or Licensed Product in a particular country may include sequential implementation of clinical trials and/or intervals between clinical trials for data interpretation and clinical program planning and any period associated with such program, to the extent such implementation is consistent with the scientific, technical and commercial factors relevant to Development of such Licensed Compound or Licensed Product in such country.

13.2.4 Disputed Breach. If Retrophin disputes in good faith the existence or materiality of a breach specified in a notice provided by Ligand pursuant to Section 13.2.2, or a failure to use Commercially Reasonable Efforts specified in a notice provided by Ligand pursuant to Section 13.2.3, and Retrophin provides notice to Ligand of such dispute within the applicable forty-five (45) day or sixty (60) day period, Ligand shall not have the right to terminate this Agreement unless and until the existence of such material breach or failure by Retrophin has been determined in accordance with Article 14 and Retrophin fails to cure such breach within sixty (60) days following such determination (except to the extent such breach involves the failure to make a payment when due, which breach must be cured within five (5) Business Days following such determination). It is understood and acknowledged that during the pendency of such a dispute, all of the terms and conditions of this Agreement shall remain in effect and the Parties shall continue to perform all of their respective obligations hereunder. The Parties further agree that any payments that are made by one Party to the other Party pursuant to this Agreement pending resolution of the dispute shall be promptly refunded if an arbitrator or court determines pursuant to Article 14 that such payments are to be refunded by one Party to the other Party.

13.2.5 Termination for **[*******]*****. Subject to the terms of this Section 13.2.5, Ligand shall have the right to terminate this Agreement (on a country-by-country or worldwide

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basis, as Ligand may elect), **[***]**, in the event that (a) **[***]** or (b) **[***]**. In the event the Parties are unable to reach agreement regarding whether or not a compound is a **[***]**, and the Parties have not resolved such dispute through good faith discussions, such dispute will be resolved through performance of the relevant scientific determination by an independent Third Party testing provider or other scientific expert who shall be mutually and reasonably selected by both Parties. The findings of such Third Party scientific expert with respect to such dispute shall be binding on the Parties, and the costs of such testing shall be borne by the Party whom the independent determination does not favor.

13.2.6 Termination of Upstream License Agreement. Subject to Section 13.5.1, if the Upstream License Agreement, in whole or in part, is terminated for any reason, the corresponding rights granted to Retrophin shall be terminated effective upon termination of the Upstream License Agreement.

13.3 Termination by Retrophin. Retrophin may terminate this Agreement in the event of material breach by Ligand; *provided*, *however*, that such breach has not been cured within sixty (60) days after written notice thereof is given by Retrophin to Ligand. Notwithstanding the foregoing, if Ligand disputes in good faith the existence or materiality of such breach and provides notice to Retrophin of such dispute within such sixty (60) day period, Retrophin shall not have the right to terminate this Agreement in accordance with this Section 13.3 unless and until it has been determined in accordance with Article 14 that this Agreement was materially breached by Ligand and Ligand fails to cure such breach within sixty (60) days following such determination. It is understood and acknowledged that during the pendency of such a dispute, all of the terms and conditions of this Agreement shall remain in effect and the Parties shall continue to perform all of their respective obligations hereunder. The Parties further agree that any payments that are made by one Party to the other Party pursuant to this Agreement pending resolution of the dispute shall be promptly refunded if an arbitrator or court determines pursuant to Article 14 that such payments are to be refunded by one Party to the other Party.

13.4 Effect of Termination. Upon termination of this Agreement or any right or license pursuant to Section 13.2.1, 13.2.2, 13.2.3 or 13.2.5, the rights and obligations of the Parties shall be as set forth in this Section 13.4.

13.4.1 Upon termination of this Agreement, either in its entirety or with respect to one or more applicable countries (each, a "Terminated Country") pursuant to Section 13.2.1, 13.2.2, 13.2.3 or 13.2.5 hereof (the rights and obligations of the Parties as to the remaining countries of the Territory in which termination under Section 13.2.3 or 13.2.5 has not occurred, being unaffected by such termination), the following shall apply:

a) **[***]**.

b) **[***]*****.**

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c) All amounts due or payable to **[***]** shall remain due and payable.

d) Should Retrophin have **[***]**, Retrophin shall **[***]**.

e) Should Retrophin have **[***]**.

f) Retrophin shall **[***]**.

g) If Retrophin has the **[***]**.

h) Retrophin shall **[***]**.

i) Retrophin shall **[***]**.

j) Retrophin hereby**[***]**.

k) Neither Party shall be relieved of any obligation that accrued prior to the effective date of such termination or expiration.

l) Each Party shall have the right to retain all amounts previously paid to it by the other Party, subject to any applicable determination of an arbitrator or court pursuant to Article 14.

m) It is understood and agreed that Ligand shall be entitled to **[***]** as a remedy to enforce the provisions of this Section 13.4, in addition to any other remedy to which it may be entitled by applicable Law.

13.5 Termination by BMS.

13.5.1 Any rights granted by Ligand pursuant to this Agreement shall terminate on a country-by-country and Licensed Product-by-Licensed Product basis effective upon termination under Section 13.2 of the Upstream License Agreement with respect to such sublicensed rights; *provided, however,* that such sublicensed rights shall not terminate if, as of the effective date of such termination by BMS under Section 13.2 of the Upstream License Agreement, Retrophin is not in material breach of its obligations to Ligand under this Agreement, and within sixty (60) days of such termination Retrophin agrees in writing to be bound directly to BMS under a license agreement substantially similar to this Agreement with respect to the rights sublicensed hereunder, substituting Retrophin for Ligand.

13.5.2 BMS may terminate the Upstream License Agreement where (a) Retrophin or its Affiliate (alone or in collaboration with a Third Party) undertakes the clinical development of a product that contains a **[***]*** prior to the first U.S. NDA Approval being obtained for a Licensed Compound or (b) Retrophin or its Affiliate (alone or in collaboration with a Third

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Party) markets a product that contains a **[***]** within **[***]** years following the first U.S. NDA Approval for a Licensed Product.

13.6 Scope of Termination. Except as otherwise expressly provided herein, termination of this Agreement shall be as to all countries in the Territory and all Licensed Compounds and Licensed Products.

(i) Survival. The following provisions shall survive termination or expiration of this Agreement, as well as any other provision which by its terms or by the context thereof, is intended to survive such termination: Article 1 (as applicable), Article 5 (with respect to obligations arising prior to expiration or termination of this Agreement), Article 8 (with respect to obligations arising prior to expiration or termination of this Agreement), Section 9.4, Section 9.5, Section 10.1, 10.4.4 (with respect to an action, suit or proceeding commenced prior to termination), Section 10.7, Article 11, Article 12 (with respect to Losses and Claims arising from activities and breaches that take place prior to expiration or termination of this Agreement), this Section 13.6(i), Section 13.7, Article 14 and Article 15. Termination or expiration of this Agreement shall not relieve the Parties of any liability or obligation which accrued hereunder prior to the effective date of such termination or expiration nor preclude either Party from pursuing all rights and remedies it may have hereunder or at law or in equity, subject to Article 14, with respect to any breach of this Agreement nor prejudice either Party's right to obtain performance of any obligation. All other obligations shall terminate upon expiration of this Agreement.

13.7 Bankruptcy. The Parties agree that in the event a Party becomes a debtor under Title 11 of the U.S. Code ("Title 11"), this Agreement shall be deemed to be, for purposes of Section 365(n) of Title 11, a license to rights to "intellectual property" as defined therein. Each Party as a licensee hereunder shall have the rights and elections as specified in Title 11. Any agreements supplemental hereto shall be deemed to be "agreements supplementary to" this Agreement for purposes of Section 365(n) of Title 11.

ARTICLE 14.
DISPUTE RESOLUTION; ARBITRATION

14.1 Dispute Resolution. The Parties agree that the procedures set forth in this Section 14.1 shall be the exclusive mechanism for resolving any bona fide disputes, controversies or claims (collectively, "Disputes") between the Parties that arise from time to time pursuant to this Agreement relating to any Party's rights and/or obligations hereunder that cannot be resolved through good faith negotiation between the Parties.

14.2 Executive Mediation. Any Dispute shall first be referred to an Executive from each Party for attempted resolution by good faith negotiations. Any such Dispute shall be submitted to such Executives no later than **[***]*** days following such request by either Party.

*** Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

Such Executives shall attempt in good faith to resolve any such Dispute within **[***]** days after submission of the Dispute. In the event the Executives are unable to resolve the Dispute, the Parties shall otherwise negotiate in good faith and use reasonable efforts to settle.

14.3 Arbitration.

14.3.1 If the Parties are not able to fully settle a Dispute pursuant to Section 14.2 above, and a Party wishes to pursue the matter, each such Dispute that is not an Excluded Claim or subject to expedited arbitration in accordance with Section 14.4 below, shall be finally resolved by binding arbitration in accordance with the Commercial Arbitration Rules and Supplementary Procedures for Large Complex Disputes of the American Arbitration Association ("AAA"), and judgment on the arbitration award may be entered in any court having jurisdiction thereof; provided, however, that the Federal Rules of Evidence shall apply with regard to the admissibility of evidence in such hearing.

14.3.2 The arbitration shall be conducted by a panel of three persons experienced in the pre-clinical and clinical stage pharmaceutical business. Within **[***]** days after initiation of arbitration, each Party shall select one person to act as arbitrator and the two Party-selected arbitrators shall select a third arbitrator within **[***]*** days of their appointment. If the arbitrators selected by the Parties are unable or fail to agree upon the third arbitrator, the third arbitrator shall be appointed by the AAA. In any case the arbitrator shall not be an Affiliate, employee, consultant, officer, director or stockholder of either Party, or otherwise have any current or previous relationship with either Party or their respective Affiliates. The Parties shall have the right to be represented by counsel. The place of arbitration shall be New York, NY. All proceedings and communications shall be in English.

14.3.3 Either Party may apply to the arbitrators for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either Party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any injunctive or provisional relief necessary to protect the rights or property of that Party pending the arbitration award. The arbitrators shall have no authority to award punitive or any other type of damages not measured by a Party's compensatory damages. Each Party shall bear its own costs and expenses and attorneys' fees and an equal share of the arbitrators' fees and any administrative fees of arbitration.

14.3.4 Except to the extent necessary to confirm an award or as may be required by Law, neither a Party nor an arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable New York statute of limitations.

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14.3.5 The arbitrators shall use their commercially reasonable efforts to rule on each disputed issue within days after completion of the hearing described in Section 14.3. The determination of the arbitrators as to the resolution of any dispute shall be binding and conclusive upon all Parties. All rulings of the arbitrator shall be in writing and shall be delivered to the Parties except to the extent that the Commercial Arbitration Rules of the AAA provide otherwise. Nothing contained herein shall be construed to permit the arbitrator to award punitive, exemplary or any similar damages.

14.3.6 The (i) attorneys' fees of the Parties in any arbitration, (ii) fees of the arbitrator and (iii) costs and expenses of the arbitration shall be borne by the Parties in a proportion determined by the arbitrator.

14.3.7 For all Excluded Claims, the Parties hereby submit to the exclusive jurisdiction of the Supreme Court of the State of New York, New York County and the United States District Court for the Southern District of New York. For clarity, each party may seek injunctive or other equitable relief for Excluded Claims in accordance with this Section 14.3.7. Each Party agrees that service of any process, summons, notice or document by personal delivery, by registered mail, or by a recognized international express delivery service to such Party's respective address set forth in Section 15.2 shall be effective service of process for any action, suit or proceeding in the district court or state court with respect to any matters to which it has submitted to jurisdiction in this Section 14.3.7. Each Party irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in the district court or state court, and hereby and thereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum. Each Party hereto also hereby waives to the fullest extent permitted by applicable Laws, any right it may have to a trial by jury in respect to any litigation directly or indirectly arising out of, under or in connection with this Agreement. Each Party hereto (i) certifies that no representative, agent or attorney of the other Party has represented, expressly or otherwise, that such other Party would not, in the event of litigation, seek to enforce that foregoing waiver and (ii) acknowledges that it and the other Party hereto have been induced to enter into this Agreement, as applicable, by, among other things, the mutual waivers and certifications in this Section 14.3.7.

14.4 Expedited Arbitration. The Parties agree that it is important to be able to clarify any disputes regarding **[***]*** quickly. Accordingly, if: (i) Ligand **[***]**; (ii) **[***]**; or (iii) **[***]**; then the Parties shall resolve such dispute in accordance with this Section 14.4. Arbitration under this Section 14.4 shall be conducted in the same manner and subject to the same terms and conditions as arbitration under Section 14.3, provided that: (i) the Parties shall designate in writing a single arbitrator within fifteen (15) days of written notice of the dispute; (ii) the arbitrator and the Parties shall meet, and each Party shall provide to the arbitrator a written summary of all disputed issues, such Party's position on such disputed issues and such

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Party's proposed ruling on the merits of each such issue within fifteen (15) days after the designation of the arbitrator; (iii) the arbitrator shall use his or her commercially reasonable efforts to rule on each disputed issue within fifteen (15) days after completion of the hearing described in Section 14.3; (d) the arbitrator shall select one of the requested positions as his decision, and shall not have the authority to render any substantive decision other than to so select the position of either Ligand or Retrophin; and (e) the Parties shall use good faith efforts to complete any expedited arbitration pursuant to this Section 14.4 promptly.

ARTICLE 15.
MISCELLANEOUS

15.1 Severability. If any one or more of the provisions of this Agreement is held to be invalid or unenforceable, the provision shall be considered severed from this Agreement and shall not serve to invalidate any remaining provisions hereof. The Parties shall make a good faith effort to replace any invalid or unenforceable provision with a valid and enforceable one such that the objectives contemplated by the Parties when entering this Agreement may be realized.

15.2 Notices. Any notice required or permitted to be given by this Agreement shall be in writing and shall be delivered by hand or overnight courier with tracking capabilities or mailed postage prepaid by first class, registered or certified mail addressed as set forth below unless changed by notice so given:

If to Ligand:

Ligand Pharmaceuticals Incorporated
11085 North Torrey Pines Road, Suite 300
La Jolla, CA 92037
Attention: General Counsel

With a copy to (which shall not constitute notice hereunder):

Latham & Watkins LLP
12636 High Bluff Drive, Suite 400
San Diego, CA 92130
Attention: Faye H. Russell, Esq.

If to Retrophin:

Retrophin LLC
330 Madison Avenue, 6th Floor
New York, NY 10017
Attention: Martin Shkreli

With a copy to (which shall not constitute notice hereunder):

Katten Muchin Rosenman LLP

575 Madison Avenue
New York, NY 10022
Attention: Evan L. Greebel, Esq.

Any such notice shall be deemed given on the date received. A Party may add, delete, or change the person or address to whom notices should be sent at any time upon written notice delivered to the Party's notices in accordance with this Section 15.2.

15.3 Force Majeure. Neither Party shall be liable for delay or failure in the performance of any of its obligations hereunder (including, without limitation Sections 6.1.2 and 6.1.3 of this Agreement) if such delay or failure is due to causes beyond its reasonable control, including acts of God, fires, earthquakes, strikes and labor disputes, acts of war, terrorism, civil unrest or intervention of any governmental authority ("Force Majeure"); *provided*, *however*, that the affected Party promptly notifies the other Party and further provided that the affected Party shall use its commercially reasonable efforts to avoid or remove such causes of non-performance and to mitigate the effect of such occurrence and shall continue performance with the utmost dispatch whenever such causes are removed. When such circumstances arise, the Parties shall negotiate in good faith any modifications of the terms of this Agreement that may be necessary or appropriate in order to arrive at an equitable solution.

15.4 Assignment.

15.4.1 Ligand may, without Retrophin's consent, assign or transfer all of its rights and obligations hereunder, in connection with any transfer of all of the Patent Rights and Know-How, to any Affiliate of Ligand or to any Third Party (including a successor in interest); *provided*, *however*, that such assignee or transferee agrees in writing to be bound by the terms of this Agreement.

15.4.2 Retrophin may assign or transfer all of its rights and obligations hereunder without consent to an Affiliate of Retrophin or to a successor in interest by reason of merger, consolidation or sale of all or substantially all of the assets of Retrophin; *provided however*, that (i) Retrophin's rights and obligations under this Agreement shall be assumed by its successor in interest and shall not be transferred separate from all or substantially all of its other business assets, (ii) such assignment includes all Approvals and all rights and obligations under this Agreement, (iii) such successor in interest or Affiliate shall have agreed prior to such assignment or transfer to be bound by the terms of this Agreement in writing and (iv) where this Agreement is assigned or transferred to an Affiliate, Retrophin remains responsible for the performance of this Agreement.

15.4.3 Subject to the foregoing, this Agreement shall inure to the benefit of and be binding on the Parties' successors and assigns. Any assignment or transfer in violation of the foregoing shall be null and void and wholly invalid, the assignee or transferee in any such assignment or transfer shall acquire no rights whatsoever, and the non-assigning non-transferring Party shall not recognize, nor shall it be required to recognize, such assignment or transfer.

15.5 Further Assurances. Each Party agrees to do and perform all such further acts and things and shall execute and deliver such other agreements, certificates, instruments and documents necessary or that the other Party may deem advisable in order to carry out the intent and accomplish the purposes of this Agreement and to evidence, perfect or otherwise confirm its rights hereunder.

15.6 Waivers and Modifications. The failure of any Party to insist on the performance of any obligation hereunder shall not be deemed to be a waiver of such obligation. Waiver of any breach of any provision hereof shall not be deemed to be a waiver of any other breach of such provision or any other provision on such occasion or any succeeding occasion. No waiver, modification, release or amendment of any obligation under or provision of this Agreement shall be valid or effective unless in writing and signed by all Parties hereto.

15.7 Choice of Law. This Agreement shall be governed by, enforced, and shall be construed in accordance with the laws of the State of New York without regard to its conflicts of law provisions.

15.8 Publicity. The Parties agree to issue a press release regarding the execution of this Agreement, in a form to be mutually agreed upon by the Parties. Subject to the provisions of Sections 11.2, 11.4 and 11.5, each Party agrees not to issue any other press release or public statement disclosing the existence of this Agreement or any other information relating to this Agreement, the other Party, or the transactions contemplated hereby without the prior written consent of the other Party; *provided*, *however*, that any disclosure which is required by applicable Laws or the rules of a securities exchange, as reasonably advised by the disclosing Party's counsel, may be made subject to the following. The Parties agree that any such required disclosure will not contain confidential business or technical information and, if disclosure of confidential business or technical information is required by applicable Laws, the Parties will use appropriate diligent efforts to minimize such disclosure and obtain confidential treatment for any such information which is disclosed to a governmental agency. Each Party agrees to provide to the other Party a copy of any public announcement regarding this Agreement or the subject matter thereof as soon as reasonably practicable under the circumstances prior to its scheduled release. Except under extraordinary circumstances, or as otherwise required under applicable Laws or the rules of a securities exchange, each Party shall provide the other with an advance copy of any such announcement at least forty eight (48) hours prior to its scheduled release. Each Party shall have the right to expeditiously review and recommend changes to any such announcement and, except as otherwise required by applicable Laws or the rules of a securities exchange, the Party whose announcement has been reviewed shall remove any Confidential Information of the reviewing Party that the reviewing Party reasonably deems to be inappropriate for disclosure. The contents of any announcement or similar publicity which has been reviewed and approved by the reviewing Party can be re-released by either Party without a requirement for re-approval. Nothing in this Section 15.8 shall be construed to prohibit Retrophin or its Affiliates or Sublicensees from making a public announcement or disclosure regarding the stage of development of Licensed Products in Retrophin's (or its Affiliates' or Sublicensees') product pipeline or disclosing clinical trial results regarding such Licensed Products, as may be required by applicable Laws or the rules of a securities exchange, as reasonably advised by Retrophin's (or its Affiliates' or Sublicensees') counsel.

15.9 Relationship of the Parties. Each Party is an independent contractor under this Agreement. Nothing contained herein is intended or is to be construed so as to constitute Ligand and Retrophin as partners, agents or joint venturers. Neither Party shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other Party or to bind the other Party to any contract, agreement or undertaking with any Third Party.

15.10 Headings. Headings and captions are for convenience only and are not be used in the interpretation of this Agreement.

15.11 Entire Agreement. This Agreement (including all Appendices attached hereto, which are incorporated herein by reference) (i) sets forth all of the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties hereto, (ii) constitutes and contains the complete, final and exclusive understanding and agreement of the Parties with respect to the subject matter herein and (iii) cancels, supersedes and terminates all prior agreements and understanding between the Parties with respect to the subject matter hereof. For the avoidance of doubt, the confidentiality agreement entered into by Ligand and Retrophin effective as of December 11, 2011 (the "Confidentiality Agreement") shall remain in effect with respect to all Confidential Information (as that term is defined in the Confidentiality Agreement) disclosed by the Parties that does not pertain to the subject matter of this Agreement. All Confidential Information (as that term is defined in the Confidentiality Agreement) pertaining to the subject matter of this Agreement disclosed to Ligand by Retrophin under the Confidentiality Agreement shall be considered Confidential Information (as that term is defined in this Agreement) of Retrophin disclosed under this Agreement and shall be subject to the terms and conditions of this Agreement; and all Confidential Information (as that term is defined in the Confidentiality Agreement) pertaining to the subject matter of this Agreement disclosed to Retrophin by Ligand under the Confidentiality Agreement shall be considered Confidential Information (as that term is defined in this Agreement) of Ligand disclosed under this Agreement and shall be subject to the terms and conditions of this Agreement. There are no covenants, promises, agreements, warranties, representations, conditions or understandings, whether oral or written, between the Parties other than as set forth herein. No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the Parties hereto unless reduced to writing and signed by the respective authorized officers of the Parties.

15.12 Counterparts. This Agreement may be executed in counter-parts with the same effect as if both Parties had signed the same document. All such counterparts shall be deemed an original, shall be construed together and shall constitute one and the same instrument.

15.13 Exports. Retrophin agrees not to export or re-export, directly or indirectly, any information, technical data, the direct product of such data, samples or equipment received or generated under this Agreement in violation of any applicable export control Laws.

15.14 Interpretation.

15.14.1 Each of the Parties acknowledges and agrees that this Agreement has been diligently reviewed by and negotiated by and between them, that in such negotiations each of them has been represented by competent counsel and that the final agreement contained

herein, including the language whereby it has been expressed, represents the joint efforts of the Parties hereto and their counsel. Accordingly, in interpreting this Agreement or any provision hereof, no presumption shall apply against any Party hereto as being responsible for the wording or drafting of this Agreement or any such provision, and ambiguities, if any, in this Agreement shall not be construed against any Party, irrespective of which Party may be deemed to have authored the ambiguous provision.

15.14.2 The definitions of the terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” The word “any” shall mean “any and all” unless otherwise clearly indicated by context.

15.14.3 Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or therein), (b) any reference to any Laws herein shall be construed as referring to such Laws as from time to time enacted, repealed or amended, (c) any reference herein to any person shall be construed to include the person’s successors and assigns, (d) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, and (e) all references herein to Articles, Sections or Appendices, unless otherwise specifically provided, shall be construed to refer to Articles, Sections and Appendices of this Agreement.

* * *

[signature page follows]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized officers as of the date first set forth above.

LIGAND PHARMACEUTICALS INCORPORATED	**RETROPHIN, LLC**
(“Ligand”)	**(“Retrophin”)**
By: /s/ Charles Berkman	By: /s/ Martin Shkreli
Name: Charles Berkman	Name: Martin Shkreli
Title: Vice President, General Counsel and Secretary	Title: Chief Executive Officer

Appendix 1
Core Patent Rights

[***]***	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
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Appendix 2

Active Compound

"Active Compound" means a compound that **[***]***.**

"**[***]**" means **[***]**.

"**[***]**" means the **[***]**.

*** Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 3

Development Plan

(attached hereto)

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[***]

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[***]* – EIGHT PAGES REDACTED**

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Appendix 4
Listed Compounds

[***]***

*** Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

RETROPHIN, INC.
(A DEVELOPMENT STAGE COMPANY)

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT ACCOUNTANTS' REPORT

To the Stockholders of
Retrophin, LLC

We have audited the accompanying balance sheet of Retrophin, Inc. (a development stage company) (the "Company") as of December 31, 2011 and the related statements of operations, changes in stockholder's deficiency and cash flows for the period from March 11, 2011 (inception) through December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted accounting standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Retrophin, Inc (a development stage company) as of December 31, 2011, and the results of its operations and its cash flows for the period from March 11, 2011 (inception) through December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company is a development stage enterprise with no revenues, historical losses and limited capital resources. The Company, as a development stage enterprise, is subject to risks and uncertainties as to whether it will be able to raise capital and commence its planned operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters also are described in Note 1. The financial statements do not include any adjustments relating to the recovery of assets or classification of liabilities might be necessary should the Company be unable to continue as a going concern.

/s/ Marcum LLP

New York, NY
December 18, 2012

RETROPHIN, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEET

	September 30, 2012 (unaudited)	December 31, 2011
Assets		
Current assets		
Cash	$ 2,189	$ 10,053
Due from related parties	3,300	-
Prepaid expenses	30,431	-
Other current assets	15,781	7,000
Total current assets	51,701	17,053
Property and equipment, net	9,037	2,517
Technology license, net	2,386,952	-
Total assets	$ 2,447,690	$ 19,570
Liabilities and Stockholders' Deficit		
Liabilities		
Technology license liability	$ 1,300,000	$ -
Accounts payable	368,488	340,134
Accrued compensation	525,372	169,721
Accrued expenses	230,452	-
Accrued interest	60,794	-
Due to related parties	16,500	46,000
Notes payable - related parties	914,764	-
Total liabilities	3,416,370	555,855
Stockholders' Deficit		
Preferred stock $0.001 par value; 3,000,000 shares authorized, currently designated in the following class:		
Series A 700,000 authorized; 127,041 and 41,500 issued and outstanding at September 30, 2012 and December 31, 2011, respectively (aggregate liquidation value of $7,338,320 and $1,660,000, respectively)	127	41
Common stock $0.001 par value; 8,000,000 authorized; 754,576 and 429,875 issued and outstanding at September 30, 2012 and December 31, 2011, respectively	754	430
Additional paid in capital	19,545,693	2,766,500
Receivables due from stockholder	(434,329)	(35,000)
Deficit accumulated during the development stage	(20,080,925)	(3,268,256)
Total stockholders' deficit	(968,680)	(536,285)
Total liabilities and stockholders' deficit	$ 2,447,690	$ 19,570

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

RETROPHIN, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the period March 11, 2011 (inception) through December 31, 2011	For the nine months ended September 30, 2012 (unaudited)	For the period from March 11, 2011 (inception) through September 30, 2011 (unaudited)	For the period from March 11, 2011 (inception) through September 30, 2012 (unaudited)
Operating expenses				
Compensation and related costs - inclusive of share based compensation $1,724,967, $7,724,150, $1,155,533, and $9,449,117	$ 2,227,203	$ 8,371,481	$ 1,602,937	$ 10,598,684
Professional fees - inclusive of share based compensation $254,332, $6,290,252, $127,333 and $6,544,584	909,681	8,048,788	547,270	8,958,469
Selling, general and administrative	63,812	274,622	45,375	338,434
Rent expense	63,000	63,000	49,000	126,000
Total operating expenses	3,263,696	16,757,891	2,244,582	20,021,587
Other income (expense)				
Interest income	75	15,781	75	15,856
Loss on foreign exchange transactions	(4,635)	-	(4,635)	(4,635)
Interest expense	-	(70,559)	-	(70,559)
Total other expense	(4,560)	(54,778)	(4,560)	(59,338)
Net loss	$ (3,268,256)	$ (16,812,669)	$ (2,249,142)	$ (20,080,925)

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

RETROPHIN, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT

	Series A Preferred Stock		Common Stock		Additional paid-in capital	Receivables due from stockholder	Accumulated (Deficit)	Total Stockholder's (Deficit)
	Shares	Amount	Shares	Amount				
Balance - March 11, 2011 (inception)	-	$ -	-	$ -	$ -	$ -	$ -	$ -
Issuance of common shares ($.08 per share)	-	-	321,660	322	24,678	(25,000)	-	-
Issuance of common shares to founders in connection with the initial capital contribution ($.01 per share)	-	-	10,000	10	90	-	-	100
Share based compensation - employees	-	-	90,048	90	1,815,877	-	-	1,815,967
Share based compensation - non employees	-	-	8,167	8	163,324	-	-	163,332
Issuance of shares in connection with March 2011 private placement, net of fees of $66,061 ($20 per share)	-	-	36,250	36	658,903	-	-	658,939
Exchange of Series A preferred for common shares	36,250	36	(36,250)	(36)	-	-	-	-
Issuance of Series A preferred in connection with March 2011 private placement, net of fees of $1,367 ($20 per share)	5,250	5	-	-	103,628	-	-	103,633
Loan made to stockholder	-	-	-	-	-	(10,000)	-	(10,000)
Net loss	-	-	-	-	-	-	(3,268,256)	(3,268,256)
Balance - December 31, 2011 (audited)	41,500	$ 41	429,875	$ 430	$ 2,766,500	$ (35,000)	$ (3,268,256)	$ (536,285)
Issuance of Series A preferred in connection with January 2012 private placement, net of fees of $60,442 ($40 per share)	46,709	47	-	-	1,806,629	-	-	1,806,676
Issuance of Series A preferred in connection with May 2012 private placement, net of fees of $12,275 ($25 per share)	38,832	39	-	-	958,486	-	-	958,525
Share issued to consultants by founder for services	-	-	-	-	4,400,000	-	-	4,400,000
Share based compensation - employees	-	-	293,108	293	7,723,857	-	-	7,790,150
Share based compensation - non employees	-	-	31,593	31	1,890,221	-	-	1,890,252
Loans made to stockholder	-	-	-	-	-	(399,329)	-	(399,329)
Net loss	-	-	-	-	-	-	(16,812,669)	(16,812,669)
Balance - September 30, 2012 (unaudited)	127,041	$ 127	754,576	$ 754	$ 19,545,693	$ (434,329)	$ (20,080,925)	$ (968,680)

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

RETROPHIN, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the period from March 11, 2011 (inception) through December 31, 2011	For the nine months ended September 30, 2012 (unaudited)	For the period from March 11, 2011 (inception) through September 31, 2011	For the period from March 11, 2011 (inception) through September 30, 2012 (unaudited)
Cash Flows From Operating Activities				
Net loss	$ (3,268,256)	$ (16,812,669)	$ (2,249,142)	$ (20,080,925)
Adjustments to reconcile net loss to net cash used in operating activities:				-
Depreciation and amortization	355	73,417	156	73,772
Share based compensation - employees	1,724,967	7,724,150	1,155,533	9,449,117
Share based compensation - non-employees	254,332	6,290,252	127,333	6,544,584
Changes in operating assets and liabilities				
Prepaid license expense	-	(30,431)	-	(30,431)
Other assets	(7,000)	(8,781)	-	(15,781)
Accounts payable	340,134	28,354	219,501	368,488
Accrued expenses	169,721	646,897	65,851	816,618
Net cash (used) in operating activities	(785,747)	(2,088,811)	(680,768)	(2,874,558)
Cash Flows From Investing Activities				
Purchase of fixed assets	(2,872)	(8,471)	(2,186)	(11,343)
Purchase of intangible assets		(1,158,418)	-	(1,158,418)
Due from related parties	-	(2,800)	(9,000)	(2,800)
Loans made to stockholder	(10,000)	(399,329)	-	(409,329)
Net cash (used) in investing activities	(12,872)	(1,569,018)	(11,186)	(1,581,890)
Cash Flows From Financing Activities				
Proceeds from advances from related parties	46,000	-	-	46,000
Repayment of advances receivable from related parties	-	(30,000)	-	(30,000)
Proceeds from note payable - related party	-	930,000	-	930,000
Repayment of note payable - related party	-	(15,236)	-	(15,236)
Proceeds received from issuances of preferred stock, net	762,572	2,765,201	708,306	3,527,773
Proceeds received from issuances of common stock	100	-	100	100
Net cash provided in financing activities	808,672	3,649,965	708,406	4,458,637
Net decrease in cash	10,053	(7,864)	16,452	2,189
Cash, beginning of period	-	10,053	-	-
Cash, end of period	$ 10,053	$ 2,189	$ 16,452	2,189
Supplemental Disclosure of Cash Flow Information				
Cash paid for interest	$ -	$ 9,764	$ -	$ 9,764
Issuance of common stock for subscription receivable	$ 25,000	$ -	$ 25,000	$ 25,000
Reclassification of due from related parties	$ -	$ 500	$ -	$ 500
Technology license liability	$	$ 1,300,000	$ -	$ 1,300,000

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

Information with respect to the period from March 11, 2011 (inception) through September 30, 2011 is unaudited.

NOTE 1. DESCRIPTION OF BUSINESS AND LIQUIDITY MATTERS

Business

Retrophin, Inc. (the "Company") (previously Retrophin, LLC) is an emerging biotechnology company dedicated to developing drugs for rare and life-threatening diseases. The Company's primary business objective is to develop and commercialize therapies for orphan diseases, such as Duchenne muscular dystrophy, or DMD. The Company is considered to be a development stage company and, as such, the Company's financial statements are prepared in accordance with the Accounting Standards Codification ("ASC") 915 "Development Stage Entities." The Company is subject to all of the risks associated with development stage companies.

The Company was organized as a Delaware limited liability company, Retrophin, LLC, on March 11, 2011 ("Inception"). On September 20, 2012, the Company filed a Certificate of Conversion to change its legal form of organization from a limited liability company to a corporation in the State of Delaware. This conversion (as more fully described in Note 5) is considered a recapitalization of the equity structure of the Company. The financial statements have been presented to retroactively reflect this change as if it had occurred at the inception of the Company.

On September 13, 2012, the Company formed a new entity, Retrophin Pharmaceutical, Inc., a Delaware corporation and a wholly-owned subsidiary of Retrophin, Inc.

The Company has no significant operating history and from March 11, 2011 ("inception") to September 30, 2012, the Company has generated no revenues.

Liquidity and Financial Condition and Management's Plans

The Company incurred a net loss of approximately $20.1 million for the period from March 11, 2011 (inception) to September 30, 2012. At September 30, 2012 and December 31, 2011, the Company had $2,189 and $10,053, respectively, of cash and working capital deficiency of approximately $3,365,000 and $539,000, respectively. The Company's accumulated deficit amounted to approximately $20,080,925 and $3,268,000 at September 30, 2012 and December 31, 2011, respectively.

The Company has principally financed its operations from inception using proceeds from sales of its equity securities in a series of private placement transactions (see Note 6). The Company to date has no revenues, significantly limited capital resources and is subject to all of the risks and uncertainties that are typical of a development stage enterprise. Significant uncertainties include, among others, whether it will be able to raise the capital it needs to finance the start of its planned operations and whether such operations, if launched, will enable the Company to become a profitable enterprise.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recovery of assets or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management believes the Company's ability to continue its operations depend on its ability to raise capital. The Company entered into a licensing agreement providing it with the use of certain patented technology. The Company is currently developing pre-clinical and clinical studies of potential drug candidates to be derived from these technologies. The licensing agreement described in Note 3 also enables the Company to sell the licensed technology as a research product or sublicense the technology to other third parties in addition to, or as alternative sources of revenue to its own product development efforts. The Company's future depends on the costs, timing, and outcome of regulatory reviews of its product candidates and the costs of commercialization activities, including product marketing, sales and distribution. The Company expects to finance its needs for liquidity through private equity offerings and debt financings, corporate collaboration and licensing arrangements and grants from patient advocacy groups, foundations and government agencies. Although management believes that the Company has access to capital resources, there are no commitments for financing in place at this time, nor can management provide any assurance that such financing will be available on commercially acceptable terms, if at all.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Principles of Consolidation

Information with respect to the period from March 11, 2011 (inception) through September 30, 2011 is unaudited.

The consolidated financial statements represent the consolidation of the accounts of the Company and its subsidiaries in conformity with U.S. GAAP. All intercompany accounts and transactions have been eliminated in consolidation. Investments in unconsolidated companies (generally 20 to 50 percent ownership), in which the Company has the ability to exercise significant influence, but neither has a controlling interest nor is the primary beneficiary, are accounted for under the equity method. Investments in entities in which the Company does not have the ability to exercise significant influence are accounted for under the cost method. Under certain criteria indicated in Financial Accounting Standards Board ("FASB")—Accounting Standards Codification ("ASC") Topic 810—*Consolidation*, a partially-owned affiliate would be consolidated when it has less than a 50% ownership if the Company was the primary beneficiary of that entity. At the present time, the Company has no interests in variable interest entities.

Unaudited Interim Results

The accompanying unaudited condensed consolidated financial statements as of September 30, 2012 and for the nine month period then ended and for the period of March 11, 2011 (inception) through September 30, 2011 have been prepared in accordance with U.S. GAAP for interim financial information. In the opinion of management, all adjustments (consisting of normal accruals) considered for a fair presentation have been included in the unaudited interim financial statements. Operating results for the nine months ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ended December 31, 2012. The interim financial statements should be read in conjunction with the Company's audited financial statements for the period March 11, 2011 (inception) through December 31, 2011 included herein.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers cash instruments with maturities of less than three months when purchased to be cash equivalents. There are no cash equivalents as of the balance sheet date.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided for using the straight-line method over the estimated useful life of the assets. At September 30, 2012 and December 31, 2011, property and equipment consisted of computers with an estimated useful life of three years and leasehold improvements with an estimated life of four years.

Employee Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718 Compensation — Stock Compensation ("ASC 718"). ASC 718 addresses all forms of share-based payment ("SBP") awards including units issued under employee unit purchase plans and stock incentive units. Under ASC 718 awards result in a cost that is measured at fair value on the awards' grant date, based on the estimated number of awards that are expected to vest and will result in a charge to operations.

Non-Employee Stock-Based Compensation

The Company accounts for equity instruments issued to non-employees in accordance with the provisions of ASC 505, Share Based Payments to Non-Employees, and ASC 718 which requires that such equity instruments are recorded at their fair value on the measurement date. The measurement of stock-based compensation is subject to periodic adjustment as the underlying equity instruments vest. Non-employee stock-based compensation charges are being amortized over their respective contractual vesting periods.

Income Taxes

The Company accounts for income taxes under ASC 740 Income Taxes ("ASC 740"). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's unaudited financial statements. Since the Company was incorporated on March 11, 2011, all of its years of operations will be subject to examination. The Company believes that its income tax positions and deductions would be sustained on audit and does not anticipate any adjustments that would result in a material changes to its financial position.

The Company's policy for recording interest and penalties associated with audits is to record such expense as a component of income tax expense. There were no amounts accrued for penalties or interest as of or during the period from March 11, 2011 (inception) through September 30, 2012. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

Prior to conversion into a corporation on September 20, 2012, as a limited liability company, the Company is treated as a partnership for Federal and state income tax purposes. Accordingly, no provision has been made for Federal and state income taxes in the accompanying financial statements, since all items of income or loss are required to be reported on the income tax returns of the members, who are responsible for any taxes thereon. Profits and losses are allocated based upon capital in accordance with the permissible methods under Internal Revenue Code Section 706.

The Company is subject to the New York City Unincorporated Business Tax through September 19, 2012. Subsequent to Company's conversion to a corporation from a limited liability company on September 20, 2012, the Company will report and pay taxes based on its income or loss.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency Translation and Remeasurement

Under ASC 830 Foreign Currency Matters, functional currency assets and liabilities are translated into the reporting currency, US Dollars, using period end rates of exchange and the related translation adjustments are recorded as a separate component of accumulated other comprehensive income. Functional statements of operations amounts expressed in functional currencies are translated using average exchange rates for the respective periods. Remeasurement adjustments and gains or losses resulting from foreign currency transactions are recorded as foreign exchange gains or losses in the unaudited statement of operations.

Research and Development Costs:

Research and development costs are charged to operations as incurred and consist primarily of consulting services. For the nine months ended September 30, 2012, for the period from March 11, 2011 (inception) through September 30 , 2011, for the period from March 11, 2011 (inception) through December 31, 2012 and for the period from March 11, 2011 (inception) through September 30, 2012, the Company incurred approximately $269,000, $238,000, $353,000, and $622,000, respectively, relating to research and development costs that are included in professional fees in the accompanying unaudited statement of operations.

Recently Issued Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective accounting pronouncements, if adopted, would have a significant effect on the accompanying financial statements.

Information with respect to the period from March 11, 2011 (inception) through September 30, 2011 is unaudited.

NOTE 3. LICENSE AGREEEMNT

On February 16, 2012 the Company entered into an agreement pursuant to which a biotech company ('the Sublicensor') with license rights to certain drug technologies agreed to grant us a worldwide sublicense for the development, manufacture and commercialization of RE-021 (DARA). The licensing agreement also enables the Company to sell the licensed technology as a research product or sublicense the technology to other third parties as potential sources of revenue. Under the license agreement, Sublicensor is obligated to transfer to the Company certain information, records, regulatory filings, materials and inventory controlled by Sublicensor and relating to or useful for developing RE-021. The Company must use commercially reasonable efforts to develop and commercialize RE-021 in specified major market countries and other countries in which the Company believes it is commercially reasonable to develop and commercialize such products. The agreement shall continue until neither party has any obligations under the agreement to make payments to the other party.

In accordance with the agreement, the Company is obligated to make two equal non-refundable payments totaling $2,300,000, with the first payment due upon execution and the second payment by August 30, 2012. As of September 20, 2012, the Company has recognized $2,450,000 as a License Agreement which is presented in the accompanying consolidated balance sheet as an intangible and is being amortized on a straight line basis over the period from when the payments are due through the term of the License Agreement which is September 30, 2023. As of September 30, 2012 payments of $1,150,000 were made and the remaining balance which was due on September 30, 2012 was extended to December 21, 2012 by the Sublicensor with the condition that the payment was increased to $1,300,000. The Company has recorded the second payment obligation of $1,300,000 is presented as a liability in the accompanying consolidated balance sheet at September 30, 2012. For the nine months ended September 30, 2012, the Company recognized amortization expense of the license related to this agreement totaling $71,466.

In addition, the Company is obligated to make series of milestone payments upon the achievement of each development milestone events set forth in the sublicense agreement which could amount to an aggregate of up to $104.4 million. Milestone payments as they become due, will be recognized as license expense, pro-rata over the period through September 2023.

Per the sublicense agreement, starting from the first commercial sale of any licensed product (as defined in the agreement), the Company is obligated to pay the Sublicensor royalty payments equal to 15% of annual worldwide net sales of licensed product up to $300,000. For worldwide net sales of licensed product exceeding $300,000, a royalty percentage of 17% is applied. Royalties are payable on a quarterly basis, and are payable on a product-by-product and country-by country basis on the net sales of licensed products. Royalties terms will be in effect until the later of (i) ten years after the first commercial sale of any licensed product in such country or (ii) the expiration of any patent rights licensed under the license agreement (iii) the expiration of all periods of market exclusivity. Currently, the last to expire issued patent covered by such arrangement expires in September 2023; however, the Company expects such date may be extended by patent-term extensions. The sublicense agreement contains other customary clauses and terms as are common in similar agreements in the industry.

In the event the Company's Exit Transaction defined in the agreement as (i) sale of all or substantially all of the Company's assets or business or (ii) a merger, reorganization or consolidation involving the Company in which the stockholders or members of the Company immediately prior to such transaction cease to own collectively a majority of the voting equity securities or membership interests of a successor entity or (iii) a registered public offering of Company's common stock under the Securities Act of 1933 or (iv) a reverse merger of Company into an existing public company), the Company is obligated to pay the Sublicensor $1,500,000 no later than fifteen business days prior to the closing of the Exit Transaction. The Company has an option to issue capital stock in lieu of a cash payment to the Sublicensor. Should the Company choose to issue capital stocks, the number of shares of capital stock issue shall be equal to $1,500,000 divided by the per share price of the capital stock to be agreed upon between the Company and the Sublicensor on the date such election is made.

NOTE 4. NOTES PAYABLE

Note Payable - related party

On February 1, 2012, the Company entered into a secured promissory note with a related party in the amount of $900,000, with an interest rate of 12% per annum, compounded annually. The note plus accrued unpaid interest shall become due i) on or prior to December 31, 2012 or ii) upon consummation of a Sale of the Company (a) acquire a majority of the outstanding equity securities or (b) all or substantially all of the Company's assets on a consolidated basis.

In addition, the Company has the right to repay a portion of the outstanding obligation without penalty or premium. The repayment amount shall be applied in the following order: (i) any expenses to be reimbursed to the related party, (ii) all unpaid interest through the date of repayment and (iii) against the principal amount. On March 5, 2012, an aggregate payment of $25,000 was made by the Company, of which $9,764 was applied to accrued interest and the remaining balance of $15,236 was applied to the principal balance. The remaining principle balance of this note amounts to $884,764 as of September 30, 2012.

Note Payable - employee

On September 30 2012, the Company received an advance of $30,000 from a related party in the form of a promissory note, with an interest rate of 15% per annum, compounded annually. The note expires on the earlier of i) December 31, 2012 or ii) upon a significant change in the Company's ownership (as defined in the promissory note). Payments of $35,000 plus any unpaid interest shall become due on the expiration date.

The accrued interest at September 31, 2012, and December 31, 2011 was $60,794, and $0, respectively.

Interest expense recognized for the nine months ended September 31, 2012, for the period from March 11, 2011 (inception) through September 30 , 2011, for the period from March 11, 2011 (inception) through December 31, 2011 and for the period from March 11, 2011 (inception) through September 30, 2012, and 2011 was $70,559, $0, $0 and $70,559, respectively.

NOTE 5. RELATED PARTY TRANSACTIONS

During March 2011, the Company began subleasing office space from a company related through common ownership, see Note 6.

In October and November 2011, the Company was advanced $7,500, from a company related through common ownership. The advance is due on demand.

In November 2011, the Company was advanced $30,000 from a company related through common ownership. The advances were repaid in February 2012.

On December 8, 2011, the Company received advances of funds aggregating $8,500 from entities related through common ownership. The advances are due on demand. Balance remaining at September 30, 2012 was $5,700.

NOTE 6. STOCKHOLDERS DEFICIT

Capital Structure

At Inception, the limited liability company agreement authorized that the initial number of total Units available are 27,000,000, of which 2,000,000 Units are Class A Common Units and 25,000,000 Units are Class B Common Units. Class B Common Units shall have reserved for issuance 5,000,000 Incentive Units and the remainder may be issued as Investment units. On June 30, 2011, this agreement was amended to decrease the authorized Class B Common Units from 25,000,000 to 10,000,000 Units, of which 5,000,000 shall continue to be reserved as Incentive Units. In addition, a new class of units was authorized allowing 15,000,000 Preferred Units, of which 100,000 Units shall be designed as Series A Preferred.

On September 20, 2012, the Company filed a Certificate of Conversion to change the Company's form of legal organization from a limited liability company to a corporation. Concurrently, the Company amended its Certificate of Incorporation to authorize the issuance of 11,000,000 shares, of which 8,000,000 shares have been designated as Common Stock and 3,000,000 shares have been designated as Preferred Stock, with both classes having a par value of $0.001 per share. For the Preferred Stock 700,000 shares shall be designated as Series A Preferred Stock. The holders of Preferred Stock and Common Stock are entitled to one vote per share. The Company effectuated the conversions of Class A Common Units to Common Stock and Series A Preferred Units to Preferred Stock, both at ratios of 1 to 1. Additionally the amendment called for the Company to convert each issued, outstanding and vested class B Common Unit into a number of shares of Common Stock equal to the number of vested Class B Common Units multiplied by i) the difference of (a) $60 minus (b) the Distribution Threshold Amount for such Incentive Units divided by ii) $60 per share. As a result of the conversion, the Company issued 432,915 of common stock for 479,835 of vested Class B common units and shall issue 186,516 of common stock for 261,838 of unvested Class B common units as they become vested.

Information with respect to the period from March 11, 2011 (inception) through September 30, 2011 is unaudited.

Common Stock

The holders of our common stock are entitled to one vote per share on matters on which our stockholders vote. There are no cumulative voting rights. Subject to any preferential dividend rights of any outstanding shares of preferred stock, holders of our common stock are entitled to receive dividends, if declared by our board of directors, out of funds that we may legally use to pay dividends. If we liquidate or dissolve, holders of our common stock are entitled to share ratably in our assets once our debts and any liquidation preference owed to any then- outstanding preferred stockholders are paid. Our certificate of incorporation does not provide our common stock with any redemption, conversion or preemptive rights.

Preferred Stock

The holders of our preferred stock are entitled to one vote per share on matters on which our common stockholders vote. Holders of our preferred stock have a liquidation, redemption, conversion and preemptive rights. If we liquidate or dissolve, holders of our preferred stock are entitled liquidation preference owed to them and are able to share ratably in our assets on a as converted basis.

Issuances

Common Stock

On March 30, 2011, the Company issued to its founder 321,660 shares of Common Stock for a $25,000 capital contribution.

On March 31, 2011, the Company issued to a member 10,000 shares of Common Stock for a $100 capital contribution.

Private Placement Offering - March 2011

On March 31, 2011, the Company offered for sale, pursuant to a Private Placement Memorandum ("PPM"), up to 100,000 of the Company's Common Stock at $20 per share, for an aggregate offering price of $2,000,000. The Common Stock was entitled to one (1) vote per each unit outstanding. The termination date of this offer was originally May 3, 2011. On June 15, 2011, the PPM was restated to extend the termination date to August 31, 2011.

In April, May and June 2011, the Company sold 36,250 Shares of Common Stock in a private placement for $20 per share, yielding aggregate proceeds of $725,000. In addition, the Company incurred aggregate fees of $66,061 in connection with the private placement. These common shares were subsequently exchanged for Series A Preferred shares.

Incentive Stock Awards

Since Inception, the Company entered into various incentive unit agreements for issuances of Incentive Common Shares with certain individuals for future services (see note 7).

Preferred Stock

On June 30, 2011, the Company amended its PPM to sell a new series of units of membership interest known as the "Series A Preferred Stock," instead of common stock. The Series A Preferred Shares have a liquidation priority over the Common Shares with a preference equal to two (2) times the amount originally invested in such shares (including any prior cash distributions of any operating profits) before any amounts are paid with respect to any Common Stock. In conjunction with the amended PPM, the Company amended the subscription agreements of the prior Common Stockholders and changed the Stock ownership to the newly issued Series A Preferred Stocks.

In July, October and December 2011, the Company sold 5,250 shares of Series A Preferred Stock related to the amended private placement for $20 per share, yielding aggregate proceeds of $105,000 of which 1,500 shares sold and $30,000 proceeds were from a related party through common ownership. In addition, the Company incurred aggregate fees of $1,367 in connection with the private placement.

On January 25, 2012, the Company, in connection with a January 2012 private placement offered for sale up to 125,000 shares of the Company’s Series A Preferred Shares at $40 per share with similar terms and conditions as the amended PPM.

From January 1, 2012 through May 14, 2012, the Company sold 46,709 shares of Series A Preferred Stock related to the January 2012 private placement at $40 per Share, yielding aggregate proceeds of $1,868,353 of which 18,309 shares sold and $732,353 proceeds were from a related party through common ownership. In addition, the Company incurred aggregate fees of $61,677 in connection with the private placement.

Information with respect to the period from March 11, 2011 (inception) through September 30, 2011 is unaudited.

On May 18, 2012, the Company, in connection with the May 2012 private placement, offered for sale up to 125,000 shares of the Company's Series A Preferred Stock at $80 per share with similar terms and conditions as the amended PPM.

On September 20, 2012, the Company amended its May 2012 private placement selling price of the Preferred Shares from $80 per share to $25 per share as a result of a resolution of the Company's board. This resolution was determined as a result of market conditions.

From May 31, 2012 through September 25, 2012, the Company sold 38,832 shares of the Series A Preferred Stock related to May 2012 private placement at $25 per share, yielding aggregate proceeds of $970,800 of which 26,432 shares sold and $660,800 proceeds were from a related party through common ownership. In addition, the Company incurred aggregate fees of $12,275 in connection with the private placement.

Capital Contributions of Common Shares by Founder

In April 2012, the Company's founding stockholder personally transferred 60,000 shares of his common stock to third party consultant for advisory services provided to the company. In September 2012, the company's founder personally transferred 50,000 shares of his common stock to a newly hired executive (Note 8) in exchange for his acceptance of a position as Chairman of the Board of Directors, effective immediately, and Chief Executive Officer. The shares which have an aggregate value of $4,400,000 are fully vested and non-forfeitable.

Liquidation Preference

Upon liquidation, Series A Preferred Stock have a liquidation priority over Preferred Stock and Common Stock and a liquidation preference equal to two (2) times the amount originally invested by the holder of Series A Preferred Stock in Retrophin, LLC the predecessor of Retrophin, Inc. before any amounts are paid with respect to any Preferred Stock and Common Shares.

Receivables from Shareholders

In November of 2011, the Company advanced $10,000 to a related party, with an interest rate of 0.001% and a five year term. The advance is classified as a note receivable from related party on the balance sheet at December 31, 2011 and is due on November 3, 2016. The note is classified as a reduction of stockholders' equity in the accompanying consolidated balance sheet.

On February 3, 2012, the Company entered into a note receivable with a related party in the amount of $200,000. The note receivable is unsecured, bearing an interest rate of 12% per annum and due to mature on February 3, 2013. The note is classified as a reduction of stockholders' equity in the accompanying consolidated balance sheet.

During the nine months ended September 30, 2012, the Company advanced one of the Shareholders whom the Company sublets its office space $199,329 of payments. (See Note 8)

NOTE 7. INCENTIVE SHARES

On March 31, 2011, the Company granted 369,860 incentive shares to several executive and non-executive employees, and certain consultants, with an aggregate fair value of $7,397,200 or $20 per share. The incentive shares vested on the final day of each calendar quarter over three years, commencing on June 30, 2011. On September 11, 2012, the Company accelerated the vesting of 187,635 shares issued to its founder and Chief Executive Officer, which resulted in a charge of $3,216,600 included in compensation and related costs in the accompanying unaudited statement of operations.

In August and November 2011, the Company granted an aggregate of 58,000 incentive shares to two consultants, with an aggregate fair value of $1,160,000 or $20 per share, for consulting services. The incentive shares vested on the final day of each calendar quarter over three years, commencing on June 30, 2011 and December 31, 2011.

In January 2012, the Company granted 165,320 incentive shares to the Chief Executive Officer an employee and a consultant, with an aggregate fair value of $9,919,200 or $60 per share. The incentive shares vested on the final day of each calendar quarter over three years, commencing on March 31, 2012. On September 11, 2012, the Company immediately vested the Chief Executive Officer unvested incentive shares totaling 5,637 for continuing services.

Information with respect to the period from March 11, 2011 (inception) through September 30, 2011 is unaudited.

On March 7, 2012, the Company granted 16,667 incentive shares to a third party consultant, with an aggregate fair value of $2,000,000 or approximately $120 per share, for consulting services. The incentive shares vested (i) 50% immediately and (ii) on the final day of each calendar quarter over two years, commencing on March 31, 2012.

On July 7, 2012, the Company granted 8,750 incentive shares to an employee, with an aggregate fair value of 375,000 or approximately $43 per share. The incentive shares vested on the final day of each calendar quarter over three years, commencing on September 31, 2012.

For the nine months ended September 30, 2012, for the period from March 11, 2011 (inception) through September 30, 2011, for the period from March 11, 2011 (inception) through December 31, 2011 and for the period from March 11, 2011 (inception) through September 30, 2012, the Company recognized $9,614,402, $1,282,867, $1,979,299 and $11,593,702 as compensation expense in the consolidated statements of operations, respectively. Share compensation for non-employee awards subject to vesting is being accrued at current fair value as of September 30, 2012, there was approximately $9,085,950 of unrecognized compensation cost related to incentive shares issued.

	Shares	Weighted Average Fair Value
Unvested March 11, 2011 ("inception")	-	$ -
Granted	427,860	20.00
Vested	(98,215)	20.00
Forfeited	9,167	
Unvested December 31, 2011	320,478	$ 20.00
Granted	190,737	39.31
Vested	(324,701)	23.91
Forfeited	-	-
Unvested September 30, 2012	186,514	34.05

All of the Company's share based payments were originally issued as Retrophin LLC Class B incentive units that represent a profits interest up through the date of the Company's conversion to a C Corporation, which was structured as a tax free exchange transaction.

Shares granted as incentive shares were originally subject to certain conditions at the time of grant. Such condiions specified that the occurrence of a Termination Event, as defined in the amended operating agreement the Company shall have the right, but not the obligation, to repurchase, all, but not less than all, of the vested incentive shares owned by such incentive shareholder, at a purchase price based on the fair market value of the incentive shares determined in good faith by the Board of Directors. The aforementioned repurchase option was rescinded upon the Company's conversion to a corporation.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Sublease

During March 2011, the Company began subleasing offices on a month -to-month basis for $7,000 per month. On June 31, 2011, the Company entered into a sublease agreement with a company affiliated by common ownership, where the Company will pay $7,000 a month or 75% of the space used, pro-rated, according to the aggregate cost of the shared offices with the affiliated entities of the related party leasing company, whichever is greater. According to the agreement, the Company is responsible for incidental costs and for rent or lease of office furniture and equipment. The sublease is on a six month rolling basis and termination of the agreement can be made by a mutual agreement of both parties or by the related party leasing company. The month-to-month lease was terminated in September 2012.

Consulting Agreements

On August 15, 2011, the Company entered into an agreement with a consultant to serve as a senior advisor of strategy assisting in leading the general direction of the Company

Information with respect to the period from March 11, 2011 (inception) through September 30, 2011 is unaudited.

The agreement's initial term is for one year and automatically renews on an annual basis. Pursuant to this agreement the compensation to the consultant is comprised of (a) a fee of $37,500 per calendar quarter, payable commencing September 30, 2011, (b) 5,000 shares of the Company Common Stock, which vest over twelve (12) quarters for as long as the agreement remains in effect, and (c) receive 5,000 additional common stock, (i) upon the Company's completion of its initial financing at a pre-financing value of $20 million, and (ii) which vest in accordance with certain schedules of milestones as described in the consulting agreement. At September 30, 2012, the financing and milestones have not yet occurred or been achieved. For the nine months ended September 30, 2012, for the period from March 11, 2011 (inception) through September 30, 2011, for the period from March 11, 2011 (inception) through December 31, 2011, and for the period from March 11, 2011 (inception) through September 30, 2012, the Company recognized professional expense related to this agreement in the amounts of $37,500, $16,667, $25,000 and $62,500, respectively, of which amounts comprised of fee payable of $117,500 and $75,000 at September 30, 2012 and December 31, 2011, respectively.

On November 1, 2011, the Company granted to the consultant an additional 24,000 shares of common stock, which vest in over twelve (12) calendar quarters commencing December 31, 2011. For the nine months ended September 30, 2012, for the period from March 11, 2011 (inception) through September 30, 2011, for the period from March 11, 2011 (inception) through September 30, 2011, for the period from March 11, 2011 (inception) through December 31, 2011, and for the period from March 11, 2011 (inception) through September 30, 2012, the Company recognized professional expense related to this share based compensation of $180,000, $0, $40,000 and $220,000.

On August 25, 2011, the Company entered into an agreement with a consultant to serve as chief scientific officer of the Company.

The agreement's initial term is for one year and automatically renews on an annual basis. Pursuant to this agreement the compensation to the consultant is comprised of (a) a fee of $50,000 per calendar quarter, (b) 15,000 incentive shares, which vest over twelve (12) quarters so long as the agreement remains in effect, and (c) receive 14,000 additional incentive shares, (i) upon the Company's completion of its initial financing at a pre-financing value of $20 million, and (ii) which vest in accordance with certain schedules of milestones as described in the consulting agreement. At September 30, 2012, the financing and milestones have not yet occurred or been achieved. For the nine months ended September 30, 2012, September 30, for the period from March 11, 2011 (inception) through September 30, 2011, for the period from March 11, 2011 (inception) through December 31, 2011, and for the period from March 11, 2011 (inception) through September 30, 2012, the Company recognized professional expense related to this agreement in amounts of $112,500, $50,000, $75,000 and $187,500, respectively, of which amounts comprise of fee payable of $150,000 and $100,000 at September 30, 2012 and December 31, 2011, respectively.

On November 1, 2011, the Company granted to the consultant an additional 14,000 incentive shares, which vest in over twelve (12) calendar quarters commencing December 31, 2011. For the nine months ended September 30, 2012, for the period from March 11, 2011 (inception) through September 30, 2011, for the period from March 11, 2011 (inception) through December 31, 2011, and for the period from March 11, 2011 (inception) through September 30, 2012, the Company recognized professional expense related to this share based compensation of $105,000, $0, $23,333 and $128,333.

Sponsored Research Agreement

On July 1, 2012, the Company entered into a Sponsored Research Agreement with an organization that expires on July 1, 2013, unless extended by written agreement between the parties. The Company has agreed to pay a sponsor fee of $203,169 to the organization to perform the research program stated in the Sponsored Research Agreement. The sponsor fee payments are as follows: $101,855 within 30 days of the execution of the agreement and the remaining $101,854 will be due on January 1, 2013. As of September 30, 2012, the Company included the first payment of $101,854 in accounts payable and accrued expenses, as no payment have been made by the Company.

Sponsor fee totaling $203,169 will be recognized as professional expense, pro-rata over the one year term of the Sponsored Research Agreement. Total professional expense recorded related to the Sponsored Research Agreement totaled $50,788 for the nine months ended September 30, 2012.

Employment agreement

Effective March 1, 2011, the Company entered into a three-year employment agreement with Martin Shkreli, served as the Company's Chief Executive Officer. The agreement was automatically renewed for an additional three-year period. The Agreement provides for (a) a base salary of $250,000 per year, (b) annual cash bonus award at the discretion of the Board equal to one month salary, (c) three weeks' vacation paid per calendar year, (d) accelerated vesting of options in the event of (i) a merger or consolidation, (ii) a sale of all or substantially all of the assets or (iii) any other change in control of the Company, and (e) all group insurance plans and other benefit plans and programs made available to the Company's management employees.

Information with respect to the period from March 11, 2011 (inception) through September 30, 2011 is unaudited.

Effective January 1, 2012, the Company and its affiliated companies thru common control entered into a 18 month employment agreement with Jackson Su, served as the Chief Operating Officer of the Company and its affiliated companies. The Agreement provides for (a) a base salary of $150,000 per year, (b) three weeks' vacation paid per calendar year, (c) 2,500 Incentive Units of Retrophin, LLC predecessor of Retrophin, Inc (equivalent to 1,667 share of the Company's common stock), 1/12 shall be vest on the last day of each calendar quarter commencing on March 31, 2012 and (d) shall be reimbursed for all healthcare expenses incurred including COBRA payments.

Effective October 16, 2012, the Company and its affiliated companies thru common control entered into a 18 month employment agreement with Steve Aselage, shall served as the Chief Executive Officer of the Company. The Agreement provides for (a) a base salary of $500,000 per year, (b) eligible each fiscal year from the effective date to earn an annual bonus of up to 50% of annual salary or pro rata portions for any partial fiscal years, subject to the sole discretion of the Board (c) four weeks' vacation paid per calendar year, and (d) all group insurance plans and other benefit plans and programs made available to the Company's management employees. The Agreement was terminated in connection with the Merger.

NOTE 9. INCOME TAXES

Deferred income taxes reflect temporary differences in the reconciliation of revenue and expenses for tax reporting and financing statement purposes. Temporary differences that give rise to a significant portion of deferred tax assets and liabilities are as follows:

	December 31, 2011
New York City UBT net operating loss carryovers	$ 19,266
Accrual of costs adjustment for accounts payable and accrued expenses	20,394
Organizational costs	3,738
Total deferred tax assets	43,398
Valuation allowance	(43,398)
Deferred tax asset, net of valuation allowance	$ -

The income tax provision (benefit) consisted of the following for the period from March 11, 2011 (commencement of operations) to December 31, 2011:

New York City UBT	
Current	$ -
Deferred	(43,398)
Change in valuation allowance	43,398
Income tax provision (benefit)	$ -

Expected tax expenses (benefit) based on the statutory rate is reconciled with actual tax expense (benefit) as follows:

	December 31, 2011
U.S. Federal statutory rate	(34.0)%
New York City UBT rate	(4.0)%
Partnership income not subject to federal tax at entity level	34.0%
Change in valuation allowance	1.3%
Other permanent differences	2.7%
Income tax provision (benefit)	0.0%

As limited liability company, the Company is treated as a partnership for federal and state income tax purposes. Accordingly, no provision has been made for deferral and state income taxes in the accompanying financial statements, since all items of income or loss are required to be reported on the income tax returns of the members, who are responsible for any taxes thereon.

The Company however is subject to the New York City Unincorporated Business Tax (UBT). As of December 31, 2011, the Company has a New York City net operating loss carryover ("NOL") of approximately $481,658. This NOL will expire in year 2032.

The Company has considered all positive and negative factors in determining if the deferred tax asset is realizable. Based on these factors, management could not conclude that it is more likely than not that the net deferred tax asset will be realized and has established a valuation allowance for the full amount of the deferred tax asset at December 31, 2011. The change in valuation allowance for the period ended December 31, 2011, was $43,398. The Company will maintain the valuation allowance until sufficient evidence exists to support its reversal.

NOTE 9. SUBSEQUENT EVENTS

During October 2012, the Company entered into a sublease agreement with a company ("Sublessor") affiliated by common ownership that expires on November 29, 2016. The sublease agreement calls for rent escalations and requires the Company to pay for 50% of utilities incurred by Sublessor.

From October 1, 2012 through December 11, 2012, the Company sold 28,420 shares of the Series A Preferred Stock related to May 2012 private placement at $25 per Unit, yielding aggregate proceeds of $710,500.

The Company has evaluated subsequent events to determine if events or transactions occurring through December 17, 2012, the date of the financial statements were available to be issued, required adjustment to or disclosure in the financial statements.

Desert Gateway, Inc
Introduction to Pro-forma Condensed
Combined Financial Statements
(Unaudited)

The following unaudited pro-forma condensed combined financial statements give effect to the merger between Desert Gateway, Inc ("Desert") and Retrophin, Inc. ("Retrophin") and certain other transactions that Desert and Retrophin completed as of December 12, 2012.

On December 12, 2012, Retrophin consummated a merger transaction (the "Merger") with Desert whereby 100% of the issued and outstanding shares of common and preferred stock of Retrophin were exchanged for 5,434,122 shares of common stock of Desert, a publicly traded company with no operations. As a result of the Merger, the former stockholders of Retrophin became the controlling stockholders of Desert owning 68.9% of Desert's outstanding common shares upon completion of the Merger. Accordingly, the Merger of Retrophin and Gateway is a reverse merger that has been accounted for as a recapitalization of Retrophin. The historical financial statements of Retrophin, which is the business that survived the merger, will be presented as the historical financial statements of the combined reporting entity. The unaudited pro-forma information is presented for illustration purposes only in accordance with the assumptions set forth below and in the notes to the unaudited pro-forma condensed combined financial statements.

The unaudited pro-forma condensed combined balance sheet of Desert as of August 31, 2012 and Retrophin as of September 30, 2012 gives pro-forma effect to (i) the reverse merger and recapitalization of Retrophin, (ii) the issuance of 2,500,000 shares of Desert common stock upon the conversion of Desert convertible notes with an aggregate principal balance of $25,000, (iii) the issuance of 319,149 shares of Desert common stock in settlement of a $1,500,000 contingent liability that was triggered when the Merger was consummated as stipulated under an agreement that licenses certain technology to Retrophin, and (iv) certain other transactions completed at the time of the Merger as if Desert and Retrophin completed such transactions as of September 30, 2012.

The unaudited pro-forma condensed combined statements of operations of Retrophin and Desert for their combined (i) fiscal reporting years, and (ii) most recent combined interim reporting period give, effect to the Merger as if it had occurred as of the beginning of the periods presented.

The unaudited pro-forma financial information is presented for illustrative purposes only in accordance with the assumptions set forth below and in the notes to the unaudited pro-forma condensed combined financial statements. The unaudited pro-forma condensed combined balance sheet and condensed combined statements of operations should be read in conjunction with the separate historical financial statements of Desert Gateway, as filed with the Securities and Exchange Commission and issued in the Form 10-K for the year ended February 29, 2012 and the historical financial statements of Retrophin, appearing elsewhere herein. These unaudited pro-forma condensed combined financial statements may not be indicative of what would have occurred had the Merger been consummated on the indicated dates and should not be relied upon as an indication of future results of operations.

Desert Gateway, Inc and Subsidiaries
Unaudited Pro Forma Condensed Combined Balance Sheet

	Historical		Pro Forma Adjustments				
	Desert Gateway, Inc August 31, 2012	Retrophin, Inc. September 30, 2012	Retrophin, Inc.		Desert Gateway, Inc.		Pro Forma As Adjusted
	(a)	**(b)**					
Assets							
Current assets							
Cash	$ 3,900	$ 2,189	$ 710,500	**k**	$		$ 716,589
Due from related parties		3,300					3,300
Prepaid expenses		30,431					30,431
Other current assets	-	15,781					15,781
Total current assets	3,900	51,701	710,500				766,101
Property and equipment, net	-	9,037					9,037
Technology license		2,386,952					2,386,952
Total assets	$ 3,900	$ 2,447,690	$ 710,500		$ -		$ 3,162,090
Liabilities and Stockholders' Deficit							
Liabilities							
Technology license liability	$	$ 1,300,000	$		$		$ 1,300,000
Account payable and accrued expenses	33,417	1,185,106	200,000	**h**			1,568,523
			150,000	**g**			
Due to related parties	9,572	16,500			(9,572)	**j**	16,500
Notes payable - related parties		914,764					914,764
Convertible debt due within one year	25,000	-			(25,000)	**e**	-
Total liabilities	67,989	3,416,370	350,000		(34,572)		3,799,787
Stockholders' Deficit							
Preferred stock Series A, $0.001 par value	-	127	(127)	**d**			-
			28	**k**			
			(28)	**l**			
Preferred stock $.001 par value	1	-			(1)	**j**	-
Common stock, $0.001 par value		754	(754)	**c**			-
Common stock, $0.0001 par value	11	-	31	**i**	377	**c**	833
					89	**d**	
					250	**e**	
					20	**l**	
					57	**m**	
					(2)	**n**	
Additional paid-in capital	78,989	19,545,693	754	**c**	(377)	**c**	28,599,024
			127	**d**	(89)	**d**	
			(3,900)	**h**	24,750	**e**	
			1,499,969	**i**	(143,090)	**f**	
			710,472	**k**	9,573	**j**	
					(20)	**l**	
			28	**l**	6,876,143	**m**	
					2	**n**	
Receivables due from stockholder	-	(434,329)					(434,329)
Deficit accumulated during the development stage	(143,090)	(20,080,925)	(150,000)	**g**	143,090	**f**	(28,803,225)
			(196,100)	**h**	(6,876,200)	**m**	
			(1,500,000)	**i**			
Total stockholders' deficit	(64,089)	(968,680)	360,500		34,572		(637,697)
Total liabilities and stockholders' deficit	$ 3,900	$ 2,447,690	$ 710,500		$ 0		$ 3,162,090

Notes to Unaudited Pro-forma Balance Sheet of Desert as of August 31, 2012 and for Retrophin as of September 30, 2012

a. Derived from the unaudited balance sheet of Desert as of August 31, 2012.

b. Derived from the unaudited balance sheet of Retrophin as of September 30, 2012.

c. Reflects the issuance of 3,772,880 shares of Desert common stock in exchange for 754,576 shares of Retrophin common stock based upon a 1 for 5 exchange ratio.

d. Reflects the issuance of 889,287 shares of Desert common stock in exchange for the conversion of 127,041 shares of Retrophin preferred stock based upon a 1 to 7 conversion ratio.

e. Reflects the conversion of $25,000 in principal of Desert convertible debt into 2,500,000 shares of Desert common stock prior to the Merger.

f. Reflects the elimination of Desert's accumulated deficit in connection with the recapitalization (reverse merger) of Retrophin.

g. Reflects the accrual of $150,000 of professional and other transaction fees incurred by Retrophin in connection with the Merger.

h. Reflects the accrual of a $200,000 fee incurred by Retrophin with respect to its identification of Desert as a merger candidate.

i. Reflects Retrophin's a $1,500,000 contingent liability settled in 319,149 shares of Desert common stock. The liability was stipulated under an agreement providing for the licensure of certain technology to Retrophin and is being treated as a charge to operations. .

j. Reflects the cancellation of (i) all 501 shares of Desert Preferred stock outstanding at the time of the Merger, (ii) a $9,572 obligation due to related parties per the Merger agreement

k. Reflects the issuances of Retrophin’s preferred stock which occurred subsequent to September 30, 2012 through December 12, 2012 (the Merger Date) as if they occurred on September 30, 2012. Retrophin sold 28,420 shares of Preferred Stock, yielding aggregate proceeds of $710,500 subsequent to September 30, 2012 but prior to the Merger.

l. Reflects the issuance of 198,940 shares of Desert common stock in exchange for the conversion of 28,420 shares of Retrophin preferred stock based upon a 1 to 7 conversion ratio for the subsequent issuances.

m. Reflects the acceleration of the vesting of Retrophin’s CEO’s unvested incentive shares upon the merger with Desert. There were 114,603 Retrophin shares exchanged for 573,015 shares of Desert common stock based on a 1 for 5 exchange ratio that resulted in a charge to compensation expense of $6,876,200 based on the unvested incentive shares fair value.

n. Reflects the cancellation of 21,112 shares of Desert common stock by a Desert shareholder as a contribution of capital in December 2012

Desert Gateway, Inc and Subsidiaries
Unaudited Pro Forma Condensed Combined Sheet of Operations

	Historical		Pro Forma Adjustments		
	Desert Gateway, Inc- year ending February 29, 2012	Retrophin, Inc- period ending December 31, 2011	Desert Gateway, Inc	Retrophin, Inc.	Pro Forma Combined
	(b)	**(a)**			
Operating expenses					
Compensation and related costs	$ -	$ 2,227,203	$	$	$ 2,227,203
Professional fees	-	909,681	-		909,681
Rent expense	-	63,813			63,813
Selling, general and administrative	12,825	62,999	(12,825) c		62,999
Total operating expenses	12,825	3,263,696	(12,825)	-	3,263,696
Other income (expense)					
Interest income	-	75			75
Loss on foreign exchange transactions	-	(4,635)			(4,635)
Interest and amortization of debt discount	(2,000)	-	2,000 c		-
Total other expense	(2,000)	(4,560)	2,000	-	(4,560)
Net loss	$ (14,825)	$ (3,268,256)	$ 14,825	$ -	$ (3,268,256)
Net loss per common shares - basic and diluted	$ (0.14)	$			$ (0.39)
Weighted average number of common shares, outstanding during the period - basic and diluted	106,681				8,338,837

Notes to Unaudited Pro-forma Statement of Operations of Desert for the year ended February 29, 2012 and Retrophin for the period from March 11, 2011 (inception) through December 31, 2011

a. Derived from unaudited statement of operation of Desert for the year ended February 29, 2012

b. Derived from unaudited statement of operation of Retrophin for the period from March 11, 2011 (inception) through December 31, 2011

c. Reflect elimination of operations of Desert. These operations were discontinued as of the effective date of the Merger.

d. .The pro-forma combined weighted average number of common shares outstanding was calculated as follows:

Historical weighted average number of common shares, Retrophin effectuated for the merger

1.	Desert shares outstanding prior to the Merger	106,680
2.	Shares of Desert stock issued to stockholders of Retrophin in exchange for Desert common shares	5,434,120
3.	Shares of Desert issued for Retrophin contingent liability	319,149
4.	Shares issued for conversion of Desert debt	2,500,000
5.	Shares of Desert cancelled as a contribution from a shareholder	(21,112)
	Total weighted average number of common shares outstanding	8,338,837

Desert Gateway, Inc and Subsidiaries
Unaudited Pro Forma Condensed Combined Sheet of Operations

	Historical		Pro Forma Adjustments		
	Desert Gateway, Inc	Retrophin, Inc	Desert Gateway, Inc	Retrophin, Inc.	Pro Forma Combined
	(a)	**(b)**			
Operating expenses					
Compensation and related costs	$ -	$ 8,371,481	$	$ -	$ 8,371,481
Professional fees	-	8,048,788			8,048,788
Selling, general and administrative	6,783	274,622	(6,783) c		274,622
Rent expense	-	63,000			63,000
Total operating expenses	6,783	16,757,891	(6,783)	-	16,757,891
Other income (expense)					-
Interest income	-	15,781			15,781
Interest expense		(70,559)			(70,559)
Interest and amortization of debt discount	(1,000)	-	1,000 c		-
Total other expense	(1,000)	(54,778)	1,000	-	$ (54,778)
Net loss	$ (7,783)	$ (16,812,669)	7,783	-	$ (16,812,669)
Net loss per common shares - basic and diluted	(0.07)	$ -			$ (2.02)
Weighted average number of common shares, outstanding during the period - basic and diluted	106,695				8,338,837

Notes to Unaudited Pro-forma Statement of Operations of Desert for the nine months ended August 31, 2012 and Retrophin for the nine months ended September 30, 2012

a. Derived from unaudited statement of operations of Desert for the nine months ended August 31, 2012.

b. Derived from unaudited statement of operations of Retrophin for the nine months ended September 30, 2012.

c. Reflect the elimination of Desert's historical operating results as Retrophin is the business entity that survives the Merger.

d. The pro-forma combined weighted average number of common shares outstanding was calculated as follows:

Historical weighted average number of common shares, Retrophin effectuated for the merger

1. Desert shares outstanding prior to the Merger	106,680
2. Shares of Desert stock issued to stockholders of Retrophin in exchange for Desert common shares	5,434,120
3. Shares of Desert issued for Retrophin contingent liability	319,149
4. Shares issued for conversion of Desert debt	2,500,000
5. Shares of Desert cancelled as a contribution from a shareholder	(21,112)
Total weighted average number of common shares outstanding	8,338,837

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Retrophin Completes Reverse Merger With Desert Gateway, Inc.

Creates publicly traded biotechnology company

New York, NY (December 18, 2012) – Retrophin, Inc., a biotechnology company focused on discovering and developing treatments for rare and life-threatening diseases, today announced the successful completion of its merger with Desert Gateway, Inc. (OTCQB: RTRX) and its transition to a publicly-traded company. The combined company, currently trades as an over-the-counter (OTC) stock under the symbol RTRX.QB.

As a result of the transaction, the Company has 8,338,837 shares outstanding. Martin Shkreli has resumed the role of Chief Executive Officer. “Becoming a publicly traded company represents an important milestone in our growth strategy, as doing so provides us with access to capital and liquidity, as well as creates additional possibilities for us to grow and advance our pipeline,” said Shkreli, also the Founder of Retrophin.

Retrophin will continue to focus on developing its lead compound, RE-021 (formerly known as DARA). Retrophin is developing RE-021 for the treatment of focal segmental glomerulosclerosis (FSGS), a rare disease that attacks the kidney’s filtering system (glomeruli), causing serious scarring, progressive kidney function line and rapid loss of the kidneys. FSGS is one of the causes of a serious condition known as Nephrotic Syndrome. An estimated 50,000 patients in the United States suffer from FSGS, most of whom are diagnosed as pediatrics or young adults. The company expects to begin enrollment in its potentially pivotal Phase II clinical trial “FONT-3” during the first half of 2013.

Retrophin estimates that its 2013 operating expense will be $5 to $7 million. “We expect that this relatively modest expense will allow us to complete the historic FONT-3 study, with top-line results available in the second half of 2013,” Shkreli added. “We also expect this operating plan to progress our RE-024 PKAN program to the goal of an IND in late 2013 or early 2014.”

About Retrophin

Retrophin is a biotechnology company focused on discovering and developing treatments for rare and life-threatening diseases. Retrophin is currently developing treatments for focal segmental glomerulosclerosis (FSGS), Pantothenate Kinase-Associated Neurodegeneration (PKAN), Duchenne Muscular Dystrophy and other catastrophic diseases. The company’s lead compound, RE-021, formerly known as DARA, is scheduled to begin enrollment in a potentially pivotal Phase II clinical trial for FSGS in the first half of 2013.

Retrophin Forward-Looking Statements

This press release contains “forward-looking statements” as that term is defined in the Private Securities Litigation Reform Act of 1995, regarding the research, development and commercialization of pharmaceutical products. Such forward-looking statements are based on current expectations and involve inherent risks and uncertainties, including factors that could delay, divert or change any of them, and could cause actual outcomes and results to differ materially from current expectations. No forward-looking statement can be guaranteed. Forward-looking statements in the press release should be evaluated together with the many uncertainties that affect Retrophin’s business Retrophin undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise.

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