

CYTOKINETICS INC  
Form DEF 14A  
April 04, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**SCHEDULE 14A**  
**(RULE 14A-101)**  
**INFORMATION REQUIRED IN PROXY STATEMENT**  
**SCHEDULE 14A INFORMATION**  
**Proxy Statement Pursuant to Section 14(a)**  
**of the Securities Exchange Act of 1934 (Amendment No. \_\_\_ )**

**Filed by the Registrant**

**Filed by a Party other than the Registrant**

**Check the appropriate box:**

- |   |   |
|---|---|
| <input type="checkbox"/> Preliminary Proxy Statement                                      | <input type="checkbox"/> Confidential, for Use of the Commission Only<br>(as permitted by Rule 14a-6(e)(2)) |
| <input type="checkbox"/> Definitive Proxy Statement                                       |   |
| <input type="checkbox"/> Definitive Additional Materials                                  |   |
| <input type="checkbox"/> Soliciting Material Pursuant to Rule 14a-11(c) or<br>Rule 14a-12 |   |

**Cytokinetics, Incorporated**  
**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11
- 1) Title of each class of securities to which transaction applies:
  
  
  - 2) Aggregate number of securities to which transaction applies:
  
  
  - 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it is determined):
  
  
  - 4) Proposed maximum aggregate value of transaction:
  
  
  - 5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:
  - 2) Form, Schedule or Registration Statement No.:
  - 3) Filing Party:
  - 4) Date Filed:
-

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**Cytokinetics, Incorporated**  
**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**  
**May 25, 2006**

To the Stockholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Cytokinetics, Incorporated (the Company), a Delaware corporation, will be held on Thursday, May 25, 2006 at 10:00 a.m., local time, at the Embassy Suites Hotel, 250 Gateway Boulevard, South San Francisco, CA 94080, for the following purposes:

1. To elect James A. Spudich and Charles Homcy as Class II Directors, each to serve for a three-year term and until their successors are duly elected and qualified (Proposal One);
2. To ratify the selection by the Audit Committee of the Board of Directors of PricewaterhouseCoopers LLP as the independent registered public accounting firm to the Company for the fiscal year ending December 31, 2006 (Proposal Two);
3. To approve an amendment to the Company's 2004 Employee Stock Purchase Agreement to increase the number of authorized shares reserved for issuance thereunder by 1,000,000 shares (Proposal Three); and
4. To transact such other business as may properly be brought before the meeting and any adjournment(s) thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Only stockholders of record at the close of business on March 31, 2006 are entitled to notice of and to vote at the meeting.

Sincerely,

Sharon Surrey-Barbari  
*Secretary*

South San Francisco, California  
April 3, 2006

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**YOUR VOTE IS IMPORTANT**

**THIS PROXY STATEMENT IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY THE COMPANY, ON BEHALF OF THE BOARD OF DIRECTORS, FOR THE 2006 ANNUAL MEETING OF STOCKHOLDERS. THE PROXY STATEMENT AND THE RELATED PROXY FORM ARE BEING DISTRIBUTED ON OR ABOUT APRIL 7, 2006. YOU CAN VOTE YOUR SHARES USING ONE OF THE FOLLOWING METHODS:**

**COMPLETE AND RETURN A WRITTEN PROXY CARD**

**BY INTERNET OR TELEPHONE**

**ATTEND THE COMPANY S 2006 ANNUAL MEETING OF STOCKHOLDERS AND VOTE  
ALL STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING. HOWEVER, TO ENSURE YOUR REPRESENTATION AT THE MEETING, YOU ARE URGED TO MARK, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE IN THE POSTAGE-PREPAID ENVELOPE ENCLOSED FOR THAT PURPOSE OR VOTE YOUR SHARES BY INTERNET OR TELEPHONE. ANY STOCKHOLDER ATTENDING THE MEETING MAY VOTE IN PERSON EVEN IF HE OR SHE HAS RETURNED A PROXY CARD OR VOTED BY INTERNET OR TELEPHONE.**

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**CYTOKINETICS, INCORPORATED**  
**280 East Grand Avenue**  
**South San Francisco, California 94080**

**PROXY STATEMENT**  
**FOR THE ANNUAL MEETING OF STOCKHOLDERS**  
**May 25, 2006**

**INFORMATION CONCERNING SOLICITATION AND VOTING**

**General**

The enclosed Proxy is solicited on behalf of the Board of Directors of Cytokinetics, Incorporated (which we will refer to as the Company throughout this Proxy Statement) for use at the Annual Meeting of Stockholders to be held at the Embassy Suites Hotel, 250 Gateway Boulevard, South San Francisco, CA 94080, on Thursday, May 25, 2006, at 10:00 a.m., local time, and at any adjournment(s) thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Company's principal executive offices are located at the address listed at the top of the page and the telephone number is (650) 624-3000.

The Company's Annual Report and Annual Report on Form 10-K, containing financial statements for the fiscal year ended December 31, 2005, are being mailed together with these proxy solicitation materials to all stockholders entitled to vote. This Proxy Statement, the accompanying Proxy, the Company's Annual Report and Annual Report on Form 10-K will first be mailed on or about April 7, 2006 to all stockholders entitled to vote at the meeting.

THE COMPANY SHALL PROVIDE WITHOUT CHARGE TO ANY STOCKHOLDER SOLICITED BY THESE PROXY SOLICITATION MATERIALS A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K, TOGETHER WITH THE FINANCIAL STATEMENTS REQUIRED TO BE FILED WITH THE ANNUAL REPORT ON FORM 10-K, UPON REQUEST OF A STOCKHOLDER MADE IN WRITING TO CYTOKINETICS, INCORPORATED, 280 EAST GRAND AVENUE, SOUTH SAN FRANCISCO, CALIFORNIA, 94080, ATTN: INVESTOR RELATIONS, ANNUAL STOCKHOLDER MEETING.

**Record Date and Share Ownership**

Stockholders of record at the close of business on March 31, 2006 (which we will refer to as the Record Date throughout this Proxy Statement) are entitled to notice of and to vote at the meeting and at any adjournment(s) thereof. The Company has one series of common shares issued and outstanding, designated as Common Stock, \$0.001 par value per share (the Common Stock), and one series of undesignated Preferred Stock, \$0.001 par value per share (the Preferred Stock). As of the Record Date, 120,000,000 shares of Common Stock were authorized and 35,595,682 shares were issued and outstanding. As of the Record Date, 10,000,000 shares of Preferred Stock were authorized and none were issued or outstanding.

**Revocability of Proxies**

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by: (i) issuing a later proxy, (ii) delivering to the Company at its principle offices (Attention: Corporate Secretary) a written notice of revocation, or (iii) attending the meeting and voting in person.

**Voting**

On all matters, each share has one vote. See Proposal One Election of Two Class II Directors Vote Required and Proposal Three Approval of Amendment to the Company's 2004 Employee Stock Purchase Plan Vote Required.

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**Solicitation of Proxies**

The Company will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy and any additional information furnished to stockholders. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of the Company's Common Stock beneficially owned by others to forward to such beneficial owners. The Company may reimburse persons representing beneficial owners of Common Stock for their costs of forwarding solicitation materials to such beneficial owners. Proxies may also be solicited by certain of the Company's directors, officers and regular employees, without additional compensation, personally or by telephone or facsimile.

**Voting Via the Internet or by Telephone**

Stockholders may grant a proxy to vote their shares by means of the telephone or on the Internet. The laws of the State of Delaware, under which the Company is incorporated, specifically permit electronically transmitted proxies, provided that each such proxy contains or is submitted with information from which the Inspector of Elections can determine that such proxy was authorized by the stockholder.

The telephone and Internet voting procedures below are designed to authenticate stockholders' identities, to allow stockholders to grant a proxy to vote their shares and to confirm that stockholders' instructions have been recorded properly. Stockholders granting a proxy to vote via the Internet should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, which must be borne by the stockholder.

***For Shares Registered in Your Name***

Stockholders of record may go to <http://www.proxyvoting.com/cytk> to grant a proxy to vote their shares by means of the Internet. They will be required to provide the Company's number and control number contained on their proxy cards. The voter will then be asked to complete an electronic proxy card. The votes represented by such proxy will be generated on the computer screen and the voter will be prompted to submit or revise them as desired. Any stockholder using a touch-tone telephone may also grant a proxy to vote shares by calling 1-866-540-5760 and following the recorded instructions.

***For Shares Registered in the Name of a Broker or Bank***

Most beneficial owners whose stock is held in street name receive instruction for granting proxies from their banks, brokers or other agents, rather than the Company's proxy card.

A number of brokers and banks are participating in a program provided through ADP Investor Communication Services that offers the means to grant proxies to vote shares by means of the telephone and Internet. If your shares are held in an account with a broker or bank participating in the ADP Investor Communications Services program, you may grant a proxy to vote those shares telephonically by calling the telephone number shown on the instruction form received from your broker or bank, or via the Internet at ADP Investor Communication Services' web site at <http://www.proxyvote.com>.

***General Information for All Shares Voted Via the Internet or By Telephone***

Votes submitted via the Internet or by telephone must be received by 11:59 p.m., eastern time on May 24, 2006. Submitting your proxy via the Internet or by telephone will not affect your right to vote in person should you decide to attend the Annual Meeting.

**Quorum; Abstentions; Broker Non-Votes**

Votes cast by proxy or in person at the Annual Meeting ( Votes Cast ) will be tabulated by the Inspector of Elections (the Inspector ) who will be a representative from Mellon Investor Services LLC, the Company's Transfer Agent and Registrar. The Inspector will also determine whether or not a quorum is present. Except in certain specific circumstances, the affirmative vote of a majority of shares present in person



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or represented by proxy at a duly held meeting at which a quorum is present is required under Delaware law for approval of proposals presented to stockholders. In general, Delaware law provides that a quorum consists of a majority of shares entitled to vote and present or represented by proxy at the meeting.

The Inspector will treat shares that are voted WITHHELD or ABSTAIN as being present and entitled to vote for purposes of determining the presence of a quorum but will not be treated as votes in favor of approving any matter submitted to the stockholders for a vote. When proxies are properly dated, executed and returned, or if instructions are properly carried out for Internet or telephone voting, the shares represented by such proxies will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If no specific instructions are given, the shares will be voted (i) for the election of the nominees for directors set forth herein; (ii) for the ratification of PricewaterhouseCoopers LLP; (iii) for the approval of the amendment to the 2004 Employee Stock Purchase Plan and (iv) upon such other business as may properly come before the Annual Meeting or any adjournment thereof, but will not be voted in the election of directors other than as provided in (i) above.

If a broker indicates on the enclosed proxy or its substitute, that such broker does not have discretionary authority as to certain shares to vote on a particular matter ( broker non-votes ), those shares will be considered as present with respect to establishing a quorum for the transaction of business. The Company believes that the tabulation procedures to be followed by the Inspector are consistent with the general statutory requirements in Delaware concerning voting of shares and determination of a quorum.

In a 1988 Delaware case, *Berlin v. Emerald Partners*, the Delaware Supreme Court held that while broker non-votes may be counted for purposes of determining the presence or absence of a quorum for the transaction of business, broker non-votes should not be counted for purposes of determining the number of votes cast with respect to the particular proposal on which the broker has expressly not voted. Broker non-votes with respect to proposals set forth in this Proxy Statement will therefore not be considered Votes Cast and, accordingly, will not affect the determination as to whether the requisite majority of Votes Cast has been obtained with respect to a particular matter.

**Deadline for Receipt of Stockholder Proposals**

Stockholders are entitled to present proposals for action at a forthcoming meeting if they comply with the requirements of the Company's bylaws and the rules established by the Securities and Exchange Commission (the SEC), under the Securities Exchange Act of 1934, as amended (the Exchange Act). Under these requirements, proposals of stockholders of the Company that are intended to be presented by such stockholders at the Company's 2007 Annual Meeting of Stockholders must be received by the Company no later than December 6, 2006. A copy of the relevant bylaws provisions relating to stockholder proposals is available upon written request to Cytokinetics, Incorporated, 280 East Grand Avenue, South San Francisco, California 94080, Attention: Corporate Secretary.

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**PROPOSAL ONE  
ELECTION OF TWO CLASS II DIRECTORS**

**Nominees**

The Company's Board of Directors currently has seven authorized directors and consists of seven members. The Company has a classified Board of Directors, which is divided into three classes of directors whose terms expire at different times. The three classes are currently comprised of the following directors:

Class I consists of A. Grant Heidrich and James H. Sabry, who will serve until the 2008 Annual Meeting of Stockholders;

Class II consists of James A. Spudich and Charles Homcy, who will serve until the 2006 Annual Meeting of Stockholders, and stand for re-election as Class II Directors at such meeting; and

Class III consists of Stephen Dow, Mark McDade and Michael Schmertzler, who will serve until the 2007 Annual Meeting of Stockholders.

At each annual meeting of stockholders, the successors to directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election and until their successors have been duly elected and qualified. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of an equal number of directors.

Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company's two nominees named below, who are currently directors of the Company. The nominees have consented to be named as nominees in the proxy statement and to continue to serve as directors if elected. If either nominee becomes unable or declines to serve as a director or if additional persons are nominated at the meeting, the proxy holders intend to vote all proxies received by them in such a manner as will assure the election of the nominees listed below if possible (or, if new nominees have been designated by the Board of Directors, in such a manner as to elect such nominees), and the specific nominees to be voted for will be determined by the proxy holders.

The nominees for the Class II Directors and their biographical information are as follows:

*James A. Spudich's* biographical information can be found below in the Board of Directors section.

*Charles Homcy's* biographical information can be found below in the Board of Directors section.

The Company is not aware of any reason that either nominee will be unable or will decline to serve as a director. The term of office of each person elected as a director will continue until the Company's Annual Meeting of Stockholders held in 2009 or until a successor has been elected and qualified. There are no arrangements or understandings between any director or executive officer and any other person pursuant to which he is or was to be selected as a director or officer of the Company.

**Vote Required**

Directors will be elected by a plurality vote of the shares of the Company's Common Stock present or represented and entitled to vote on this matter at the meeting. Accordingly, the candidates receiving the highest number of affirmative votes of shares represented and voting on this proposal at the meeting will be elected directors of the Company. Votes withheld from a nominee and broker non-votes will be counted for purposes of determining the presence or absence of a quorum but, because directors are elected by a plurality vote, will have no impact once a quorum is present. See Quorum; Abstentions; Broker Non-Votes.

**THE CLASS I AND III DIRECTORS RECOMMEND THAT  
STOCKHOLDERS VOTE FOR THE CLASS II NOMINEES LISTED ABOVE.**

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**PROPOSAL TWO  
RATIFICATION OF SELECTION OF PRICEWATERHOUSECOOPERS LLP  
AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM TO THE COMPANY FOR  
THE FISCAL YEAR  
ENDING DECEMBER 31, 2006**

The Audit Committee of the Board of Directors has selected PricewaterhouseCoopers LLP, an independent registered public accounting firm, to audit the financial statements of the Company for the fiscal year ending December 31, 2006, and recommends that the stockholders vote for ratification of such selection. Although action by stockholders is not required by law, the Board of Directors has determined that it is desirable to request approval of this selection by the stockholders. Notwithstanding the selection or ratification, the Audit Committee, in its discretion, may direct the selection of a new independent registered public accounting firm at any time during the year, if the Audit Committee determines that such a change would be in the best interest of the Company.

Representatives of PricewaterhouseCoopers LLP are expected to be present at the meeting and will be afforded the opportunity to make a statement if they desire to do so, and are also expected to be available to respond to appropriate questions.

**THE BOARD OF DIRECTORS RECOMMENDS THAT  
STOCKHOLDERS VOTE *FOR* RATIFICATION OF THE SELECTION BY THE AUDIT  
COMMITTEE OF THE BOARD OF DIRECTORS OF  
PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT REGISTERED PUBLIC  
ACCOUNTING FIRM TO THE COMPANY  
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2006.**

**Principle Accountant Fees and Services**

Fees billed for professional services provided by our independent registered public accounting firm in each of the last two fiscal years are:

|                    | <b>Years Ended<br/>December 31,</b> |                   |
|--------------------|-------------------------------------|-------------------|
|                    | <b>2005</b>                         | <b>2004</b>       |
| Audit Fees         | \$ 340,840                          | \$ 624,400        |
| Audit Related Fees |                                     |                   |
| Tax Fees           | 15,000                              | 24,540            |
| Other Fees         |                                     |                   |
|                    | <b>\$ 355,840</b>                   | <b>\$ 648,940</b> |

PricewaterhouseCoopers LLP served as our independent registered public accounting firm for the years ended December 31, 2005 and 2004.

Audit fees include fees associated with the annual audit of our financial statements, the interim review of our financial statements included in quarterly reports on Form 10-Q, fees associated with Sarbanes-Oxley compliance, audit services provided in connection with our initial public offering of Common Stock completed in May 2004, issuance of consents relating to registration statement filings with the SEC and all services that are normally provided by the accounting firm in connection with statutory and regulatory filings or engagements. Tax fees include professional service fees for tax compliance services.

All auditing services and non-audit services provided to the Company by our independent registered public accounting firm are required to be pre-approved by the Audit Committee. The pre-approval of non-audit services to be provided by PricewaterhouseCoopers LLP includes making a determination that the provision of the services is

compatible with maintaining the independence of PricewaterhouseCoopers LLP as our independent registered public accounting firm. All services for audit and tax fees set forth in the table above were pre-approved by the Company's Audit Committee.

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**PROPOSAL THREE  
APPROVAL OF AMENDMENT TO THE COMPANY'S  
2004 EMPLOYEE STOCK PURCHASE PLAN**

We are asking our stockholders to approve an amendment to the Company's 2004 Employee Stock Purchase Plan (the ESPP) to increase by 1,000,000 the number of shares of Common Stock that may be issued under the ESPP (Shares). Our Board of Directors has approved the addition of Shares to the ESPP, subject to approval from our stockholders at the 2006 Annual Meeting of Stockholders.

Prior to taking into account the additional 1,000,000 Shares requested for issuance under the ESPP pursuant to this Proposal Three, a total of 500,000 Shares were available for issuance under the ESPP. During 2005, 179,520 Shares were purchased under the ESPP at a price of \$4.25 per Share. During 2004, 69,399 Shares were purchased under the ESPP at a price of \$8.03 per Share. As of March 31, 2006, only 251,081 Shares remained available for issuance under the ESPP. Our Board of Directors believes that the number of Shares that remain available for issuance will be insufficient to achieve the purposes of the ESPP over the term of the plan unless the additional Shares are authorized and approved by the stockholders.

We believe strongly that the approval of the additional Shares to the ESPP is essential to our continued success. Our employees are our most valuable assets. The incentives provided by the ESPP are vital to our ability to attract and retain outstanding and highly skilled individuals in the extremely competitive labor markets in which we must compete.

**Description of the Employee Stock Purchase Plan**

The following paragraphs provide a summary of the principal features of the ESPP and its operation. The ESPP, as amended by the Board of Directors and subject to stockholder approval as described in this Proposal Three, is set forth in its entirety as Appendix A to this Proxy Statement. The following summary is qualified in its entirety by reference to Appendix A.

**Purpose**

The Board of Directors previously adopted the ESPP on January 21, 2004 and it became effective on May 3, 2004 in connection with the Company's initial public offering of its common stock. Employees have participated in the ESPP since May 3, 2004. The purpose of the ESPP is to provide eligible employees of the Company with the opportunity to purchase Shares through payroll deductions. The ESPP is intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986, as amended (the Code).

**Eligibility to Participate**

An employee is eligible to participate in the ESPP if he or she is a common law employee and is customarily employed for at least 20 hours per week and more than five months in any calendar year, however no employee shall be granted an option under the ESPP to the extent that immediately after the grant the employee would own capital stock possessing 5% or more of the total combined voting power or value of all classes of the Company's capital stock or to the extent that his or her right to purchase stock under all employee stock purchase plans of the Company (or any parent or subsidiary of the Company) would exceed \$25,000 worth of stock for each calendar year in which such option is outstanding. The maximum number of Shares purchasable in any one purchase period by any individual is 1,250 Shares.

As of March 31, 2006, approximately 149 employees were eligible to participate in the ESPP.

**Administration, Amendment and Termination**

The Board of Directors or a committee of the members of the Board of Directors (collectively referred to as the Administrator) administers the ESPP. Subject to the terms of the ESPP, the Administrator shall have full and exclusive discretionary authority to construe, interpret and apply the terms of the ESPP, to

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determine eligibility, to adjudicate claims under the ESPP and to establish such procedures that it deems necessary for the administration of the ESPP. The Administrator may delegate one or more of ministerial duties in the administration of the ESPP.

The Administrator may amend or terminate the ESPP at any time and for any reason. However, to the extent necessary to comply with Section 423 of the Code, the Company shall obtain stockholder approval of any changes to the extent required.

The ESPP will continue in effect until it is terminated by the Administrator.

### **Number of Shares of Common Stock available under the ESPP**

Prior to taking into account the increase by 1,000,000 Shares requested pursuant to this Proposal Three, a total of 500,000 Shares were authorized for issuance under the ESPP. In the event that any dividend or other distribution, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of the Company's common stock, or other change in the corporate structure of the Company such that an adjustment is determined by the Administrator (in its sole discretion) to be appropriate to prevent a dilution or enlargement of the benefits to be available under the ESPP, appropriate adjustments may be made to (a) adjust the number and class of common stock issuable under the ESPP, and (b) to adjust the purchase price per Share and the number of Shares covered by each outstanding option under the ESPP.

Should the total number of Shares to be purchased pursuant to outstanding options on any particular date exceed either (a) the number of Shares that were available for sale under the ESPP on the enrollment date of the applicable offering period or (b) the number of Shares then available for issuance under the ESPP on such exercise date, then the Administrator, in its sole discretion, may provide that the Company shall make a pro rata allocation of the Shares available for purchase on such enrollment date or exercise date, as applicable, in as uniform a manner as shall be practicable and then choose to either terminate or continue the offering period then in effect.

### **Offering Period and Purchase Rights**

Shares are offered under the ESPP through a series of consecutive overlapping offering periods of approximately 24 months. The Administrator may change the duration of an offering period in its sole discretion. The ESPP currently provides that such offering periods will begin on the first trading day on or after May 1 and on the first trading day on or after November 1 each year over the term of the ESPP. Accordingly, two separate offering periods will begin in each calendar year.

Each offering period will consist of a series of one or more successive purchase periods. Currently, purchase periods run from the first trading day on or after May 1 to the first trading day on or after November 1.

If the fair market value per Share on any exercise date within a particular offering period is less than the fair market value per Share on the enrollment date of that offering period, then the participants in that offering period will automatically be transferred from that offering period after the exercise of their option on such exercise date and re-enrolled in the immediately following offering period.

### **Purchase of Shares**

On the exercise date, the Company uses the payroll deductions of each participating employee to purchase Shares for such employees. The purchase price of the Shares purchased on behalf of each participant on each exercise date will be equal to 85% of the lower of (i) the fair market value per Share on the start date of the offering period in which the participant is enrolled or (ii) the fair market value on the exercise date. The fair market value under the ESPP generally means the closing sales price for the Company's common stock on the NASDAQ National Market System for the day in question.

**Table of Contents****Withdrawal Rights and Termination of Employment**

A participant may withdraw from the ESPP at any time, and his or her accumulated payroll deductions will be refunded. Upon the participant's cessation of employment or loss of eligible employee status, payroll deductions will automatically cease. Any payroll deductions the participant may have made for the offering period in which such cessation of employment or loss of eligibility occurs will be refunded as promptly as practicable.

**Change in Ownership**

In the event of a change of control, each outstanding option will be assumed or substituted for by the successor corporation (or a parent or subsidiary of such successor corporation). If the successor corporation refuses to assume or substitute for such outstanding option, the purchase period then in progress will be shortened and all outstanding options will automatically be exercised immediately prior to the effective date of such change. Any offering periods then in effect will end on such shortened date.

**Number of Shares Purchased by Certain Individuals and Groups**

Given that the number of Shares that may be purchased under the ESPP is determined, in part, on the stock's market value on the first and last day of the enrollment period and given that participation in the ESPP is voluntary on the part of employees, the actual number of Shares that may be purchased by any individual is not determinable. For illustrative purposes, the following table sets forth (a) the number of Shares that were purchased during fiscal 2005 under the ESPP, and the (b) average price per Share purchase price paid for such Shares.

| Name of Individual or Group   | Number of Shares Purchased | Average per Share Purchase Price |
|---|----------------------------|----------------------------------|
| James H. Sabry, M.D., Ph.D.<br>Chief Executive Officer  |                            | \$                               |
| Robert I. Blum<br>President   | 1,250                      | \$ 4.25                          |
| Andrew Wolff, M.D., F.A.C.C.<br>Senior Vice President, Clinical Research<br>and Development and Chief Medical Officer |                            | \$                               |
| Sharon A. Surrey-Barbari<br>Senior Vice President, Finance and<br>Chief Financial Officer                             | 2,500                      | \$ 4.25                          |
| David J. Morgans, Jr., Ph.D.<br>Senior Vice President, Preclinical<br>Research and Development                        |                            | \$                               |
| All directors who are not executive officers, as a group(1)   |                            | \$                               |
| All employees who are executive officers, as a group  | 6,483                      | \$ 4.25                          |
| All employees who are not executive officers, as a group  | 173,037                    | \$ 4.25                          |

(1) Directors who are not employees of the Company are not eligible to participate in the ESPP.

**Tax Aspects**

Based on management's understanding of current federal income tax laws, the tax consequences of the purchase of Shares under the ESPP are as follows.

An employee will not have taxable income when the Shares are purchased for him or her, but the employee generally will have taxable income when the employee sells or otherwise disposes of Shares purchased through the ESPP.

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For Shares that the employee does not dispose of until more than 24 months after the applicable enrollment date and more than 12 months after the purchase date (the holding period), gain up to the amount of the discount (if any) from the market price of the Shares on the enrollment date (or re-enrollment date) is taxed as ordinary income. Any additional gain above that amount is taxed at long-term capital gain rates. If, after the holding period, the employee sells the Shares for less than the purchase price, the difference is a long-term capital loss. Shares sold within the holding period are taxed at ordinary income rates on the amount of discount received from the Share's market price on the purchase date. Any additional gain (or loss) is taxed to the stockholder as long-term or short-term capital gain (or loss). The purchase date begins the period for determining whether the gain (or loss) is short-term or long-term.

The Company may deduct for federal income tax purposes an amount equal to the ordinary income the employee must recognize when he or she disposes of Shares purchased under the ESPP within the holding period. The Company may not deduct any amount for Shares disposed of after the holding period.

**Summary**

We believe strongly that the approval of the additional Shares to the ESPP is essential to our continued success. The ESPP constitutes an important incentive for employees of the Company and helps us to attract, retain and motivate people whose skills and performance are critical to our success. Our employees are our most valuable assets. We strongly believe that the addition of the requested Shares to the ESPP is essential for us to compete for talent in the very difficult labor markets in which we operate.

**Vote Required**

The Approval of the amendment to the Company's 2004 Employee Stock Purchase Plan requires the affirmative vote of a majority of the Votes Cast on the proposal at the meeting.

**THE BOARD OF DIRECTORS RECOMMENDS THAT  
STOCKHOLDERS VOTE FOR APPROVAL OF THE AMENDMENT  
TO THE COMPANY'S 2004 EMPLOYEE STOCK PURCHASE TO INCREASE THE  
NUMBER OF SHARES AUTHORIZED FOR ISSUANCE UNDER SUCH  
PLAN BY 1,000,000 SHARES.**



**Table of Contents****Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth, as of February 28, 2006, certain information with respect to the beneficial ownership of the Company's Common Stock by (i) any person (including any group as that term is used in Section 13(d)(3) of the Exchange Act), known by the Company to be the beneficial owner of more than 5% of the Company's voting securities, (ii) each director and each nominee for director to the Company, (iii) each of the executive officers named in the Summary Compensation Table appearing herein, and (iv) all such executive officers, directors and nominees for director of the Company as a group. The number and percentage of shares beneficially owned are based on the aggregate of 35,569,702 shares of Common Stock outstanding as of February 28, 2006, adjusted as required by the rules promulgated by the SEC. The Company does not know of any arrangements, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change of control of the Company.

| Name and Address of Beneficial Owner   | Number of Shares | Percent of Common Stock Outstanding |
|--|------------------|-------------------------------------|
| <b>5% Stockholders:</b>  |                  |                                     |
| Federated Investors, Inc.(1)<br>Federated Investors Tower<br>Pittsburgh, PA 15222-3779                     | 4,810,000        | 13.5%                               |
| Wellington Management Company, LLP(2)<br>75 State Street<br>Boston, MA 02109                               | 3,659,752        | 10.3%                               |
| Entities affiliated with Sevin Rosen Funds(3)<br>Two Galleria Tower<br>13455 Noel Road<br>Dallas, TX 75240 | 3,167,692        | 8.9%                                |
| Entities affiliated with Credit Suisse First Boston(4)<br>Eleven Madison Ave.<br>New York, NY 10010        | 3,117,101        | 8.8%                                |
| Glaxo Group Limited<br>Glaxo Wellcome House<br>Berkeley Avenue, Greenford, Middlesex, England, UB6ONN      | 2,042,610        | 5.7%                                |
| Entities affiliated with Mayfield(5)<br>2800 Sand Hill Road, Suite 250<br>Menlo Park, CA 94025             | 2,031,713        | 5.7%                                |
| Columbia Wanger Asset Management, L.P.(6)<br>227 West Monroe Street, Suite 3000<br>Chicago, IL 60606       | 2,000,000        | 5.6%                                |
| <b>Executive Officers and Directors:</b>   |                  |                                     |
| James H. Sabry, M.D., Ph.D.(7)   | 956,800          | 2.6%                                |
| Robert I. Blum(8)  | 502,862          | 1.4                                 |
| David J. Morgans, Jr., Ph.D.(9)  | 189,707          | *                                   |
| Sharon A. Surrey-Barbari(10)   | 50,166           | *                                   |
| Andrew A. Wolff, M.D., F.A.C.C.(11)  | 46,666           | *                                   |
| Stephen Dow(12)<br>Two Galleria Tower<br>13455 Noel Road<br>Dallas, TX 75240                               | 3,300,192        | 9.3%                                |



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| Name and Address of Beneficial Owner  | Number of Shares | Percent of Common Stock Outstanding |
|---|------------------|-------------------------------------|
| A. Grant Heidrich, III(13)<br>Mayfield Fund 2800 Sand Hill Road, Suite 250<br>Menlo Park, CA 94025                  | 2,068,253        | 5.8%                                |
| Charles Homcy, M.D.(14)<br>Portola Pharmaceuticals<br>270 East Grand Avenue<br>South San Francisco, CA 94080        | 50,000           | *                                   |
| Mark McDade(15)<br>One Market, Suite 1475<br>Steuart Tower<br>San Francisco, CA 94105                               | 3,333            | *                                   |
| Michael Schmertzler (16)(4)<br>Eleven Madison Ave.<br>New York, NY 10010  | 3,112,761        | 8.7%                                |
| James A. Spudich, Ph.D. (17)<br>Stanford School of Medicine<br>Beckman Center, Room B405<br>Stanford, CA 94305-5307 | 255,300          | *                                   |
| All directors and named executive officers as a group (11 persons)  | 10,536,040       | 28.4%                               |

\* Represents beneficial ownership of less than one percent (1%) of the outstanding shares of our Common Stock.

(1) Based on a Schedule 13G filed with the SEC on February 21, 2006.

(2) Based on a Schedule 13G filed with the SEC on February 14, 2006.

(3) Based on a Schedule 13G filed with the SEC on February 15, 2006. Represents: (a) 3,690 shares of Common Stock held by Sevin Rosen Bayless Management Company; (b) 1,615,715 shares of Common Stock held by Sevin Rosen VI L.P.; (c) 127,235 shares of Common Stock held by Sevin Rosen Fund VI Affiliates Fund L.P.; (d) 755,631 shares of Common Stock held by Sevin Rosen Fund VIII L.P.; (e) 15,421 shares of Common Stock held by Sevin Rosen VIII Affiliates Fund L.P.; (f) 625,950 shares of Common Stock held by Sevin Rosen Fund VII L.P.; and (g) 24,050 shares of Common Stock held by Sevin Rosen VII Affiliates Fund L.P.

(4) Based on a Schedule 13G filed with the SEC on February 14, 2006. Includes 1,765,683 shares held in trust at Wells Fargo & Company. At the completion on May 3, 2004 of our initial public offering, all of the shares held by Credit Suisse First Boston affiliated entities, except for shares constituting 4.99% of the outstanding Common Stock of the Company on such date, were deposited in a voting trust having Wells Fargo Bank, N.A. as the trustee. Under the terms of the voting trust agreement, the trustee has the power to vote these shares as it believes in its sole judgment is in the best interests of the stockholders of the Company. In addition, the trustee is required to vote the shares to prevent the election of more than one Credit Suisse First Boston affiliate as a director of the Company. Each entity that deposits shares will retain the power to remove its shares from the voting trust or sell its shares to third parties so long as the transferee is not affiliated with Credit Suisse First Boston or is otherwise considered an eligible transferee under the terms of the voting trust agreement. The

voting trust agreement will expire in April 2014, or such earlier time as Credit Suisse First Boston ceases to be an affiliate of the Company.

- (5) Based on a Schedule 13G filed with the SEC on February 13, 2006. Represents: (a) 1,781,358 shares of Common Stock held by Mayfield IX; (b) 93,755 shares of Common Stock held by Mayfield Associates Fund IV; (c) 142,895 shares of Common Stock held by Cell Trust; and (d) 13,705 shares of Common Stock held by Cell Trust II.
- (6) Based on a Schedule 13G filed with the SEC on February 14, 2006.

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- (7) Represents: (a) 210,000 shares of Common Stock held by the Sabry-Spence Family Trust, and (b) 746,800 shares of Common Stock underlying options granted to Dr. Sabry that are exercisable within 60 days of February 28, 2006, of which 72,189 shares underlying such options would remain subject to the Company's repurchase right upon termination of Dr. Sabry's service relationship with the Company.
- (8) Represents: (a) 65,000 shares of Common Stock held by Mr. Blum; (b) 12,500 shares of Common Stock held by The Brittany Blum 2003 Irrevocable Trust; (c) 12,500 shares of Common Stock held by The Bridget Blum 2003 Irrevocable Trust; and (d) 412,862 shares of Common Stock underlying options granted to Mr. Blum that are exercisable within 60 days of February 28, 2006, of which 111,789 shares underlying such options would remain subject to the Company's repurchase right upon termination of Mr. Blum's service relationship with the Company.
- (9) Represents: (a) 20,000 shares of Common Stock held by Dr. Morgans, and (b) 169,707 shares of Common Stock underlying options exercisable within 60 days of February 28, 2006 of which 21,657 shares underlying such options would remain subject to the Company's repurchase right upon termination of Dr. Morgan's service relationship with the Company.
- (10) Represents: (a) 2,500 shares of Common Stock held by Ms. Surrey-Barbari, and (b) 47,666 shares of Common Stock underlying options granted to Ms. Surrey-Barbari that are exercisable within 60 days of February 28, 2006.
- (11) Represents 46,666 shares of Common Stock underlying options granted to Dr. Wolff that are exercisable within 60 days of February 28, 2006.
- (12) Based on a Form 4 filed February 17, 2006 and a Schedule 13G filed with the SEC on February 15, 2006 for entities affiliated with Sevin Rosen Funds. Represents: (a) 3,690 shares of Common Stock held by Sevin Rosen Bayless Management Company; (b) 1,615,715 shares of Common Stock held by Sevin Rosen VI L.P.; (c) 127,235 shares of Common Stock held by Sevin Rosen Fund VI Affiliates Fund L.P.; (d) 755,631 shares of Common Stock held by Sevin Rosen Fund VIII L.P.; (e) 15,421 shares of Common Stock held by Sevin Rosen VIII Affiliates Fund L.P.; (f) 625,950 shares of Common Stock held by Sevin Rosen Fund VII L.P.; (g) 24,050 shares of Common Stock held by Sevin Rosen VII Affiliates Fund L.P.; (h) 125,000 shares of Common Stock held by the Dow Family Trust; and (i) 7,500 shares of Common Stock underlying options granted to Mr. Dow that are exercisable within 60 days of February 28, 2006. Stephen Dow is a general partner of each of the Sevin Rosen entities except for Sevin Rosen Bayless Management Company, of which he is a Vice President. Mr. Dow disclaims beneficial ownership of the shares held by entities affiliated with Sevin Rosen Funds, except to the extent of his proportionate partnership interest therein.
- (13) Based in part on a Schedule 13G filed with the SEC on February 13, 2006 for entities affiliated with Mayfield. Represents: (a) 1,781,358 shares of Common Stock held by Mayfield IX; (b) 93,755 shares of Common Stock held by Mayfield Associates Fund IV; (c) 142,895 shares of Common Stock held by Cell Trust; (d) 13,705 shares of Common Stock held by Cell Trust II; (e) 29,040 shares of Common Stock held by The A. Grant III & Jeanette Yvonne Heidrich Community Property Trust; and (f) 7,500 shares of Common Stock underlying options granted to Mr. Heidrich that are exercisable within 60 days of February 28, 2006. A. Grant Heidrich is a Managing Director of Mayfield IX Management, L.L.C. and a General Partner of Mayfield IX and Mayfield Associates Fund IV. Mr. Heidrich disclaims beneficial ownership of the shares held by entities affiliated with Mayfield, except to the extent of his proportionate partnership interest therein.
- (14) Represents 50,000 shares of Common Stock underlying options granted to Dr. Homcy that are exercisable within 60 days of February 28, 2006.

- (15) Represents 3,333 shares of Common Stock underlying options granted to Mr. McDade that are exercisable within 60 days of February 28, 2006.
- (16) Based on a Form 4 filed on May 3, 2004. Represents: (a) 2,227,895 shares of Common Stock held by Credit Suisse First Boston Equity Partners, L.P.; (b) 622,753 shares of Common Stock held by Credit Suisse First Boston Equity Partners (Bermuda), L.P.; (c) 144,000 shares of Common Stock held by

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EMA Private Equity Fund 2000, L.P.; (d) 108,631 shares of Common Stock held EMA Partners Fund 2000, L.P.; and (e) 1,982 shares of Common Stock held by Credit Suisse First Boston U.S. Executive Advisors, L.P. and (f) 7,500 shares of Common Stock underlying options granted to Mr. Schmertzler that are exercisable within 60 days of February 28, 2006. Michael Schmertzler is a Managing Director of Aries Advisors, LLC, the sub-advisor to Credit Suisse First Boston Equity Partners, L.P. Mr. Schmertzler disclaims beneficial ownership of the shares held by entities affiliated with Credit Suisse First Boston except to the extent of his proportionate partnership or membership interest therein.

- (17) Represents: (a) 237,800 shares of Common Stock held by held by Dr. Spudich; and (b) 17,500 shares of Common Stock underlying options granted to Dr. Spudich that are exercisable within 60 days of February 28, 2006.

Except as otherwise noted above, the address of each person listed on the table is c/o Cytokinetics, Incorporated, 280 East Grand Avenue, South San Francisco, CA 94080.

**Table of Contents****Board of Directors**

The following table sets forth for each Class I Director, each Class II Director, and each Class III Director of the Company, in alphabetical order, their ages and present positions with the Company as of March 31, 2006.

| <b>Name</b>                  | <b>Age</b> | <b>Position</b>                           |
|------------------------------|------------|---|
| Stephen Dow(1)(2)            | 50         | Class III Director                        |
| A. Grant Heidrich, III(1)(3) | 53         | Class I Director                          |
| Charles Homcy, M.D.          | 57         | Class II Director                         |
| Mark McDade(3)               | 50         | Class III Director                        |
| James H. Sabry, M.D., Ph.D.  | 47         | Chief Executive Officer; Class I Director |
| Michael Schmertzler(1)(3)    | 54         | Class III Director                        |
| James A. Spudich, Ph.D.(2)   | 64         | Class II Director                         |