Raptor Pharmaceutical Corp
Form 10-KT/A
May 12, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 2)

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

For the fiscal year ended _____

x TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from September 1, 2012 to December 31, 2012

Commission file number 000-50720

Raptor Pharmaceutical Corp.
(Exact name of registrant as specified in its charter)

Delaware	86-0883978
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5 Hamilton Landing, Suite 160, Novato, CA 94949
(Address of principal executive offices) (Zip Code)

(415) 408-6200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.001 par value	The NASDAQ Global Market
Preferred Share Purchase Rights	

Securities registered under Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Large accelerated filer o Accelerated filer x Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2013 (the last business day of the registrant's most recently completed second quarter) was $536.4 million.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 62,616,859 shares common stock, par value $0.001, outstanding as of April 30, 2014.

The documents incorporated by reference are as follows:

None.

EXPLANATORY NOTE

As previously disclosed by Raptor Pharmaceutical Corp., or the "Company," in its current report on Form 8-K filed with the U.S. Securities and Exchange Commission (the "Commission") on January 22, 2014, the Company has engaged Grant Thornton LLP ("Grant Thornton") to replace Burr Pilger Mayer, Inc. ("BPM") to serve as the Company's independent registered public accounting firm.

The Company is filing this Amendment No. 2 (the "Form 10-KT/A") to its Transition Report on Form 10-KT for the four-month transition period ended December 31, 2012, filed with the Commission on March 14, 2013 (the "Form 10-KT"), as previously amended by Amendment No. 1 to Form 10-KT filed with the Commission on June 19, 2013, to include the audit report of Grant Thornton.

In addition to the changes to the consolidated financial statements and notes thereto included in this Form 10-KT/A, which are to conform to the presentation of the 2013 financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 (filed with the Commission on March 17, 2014), the Company has amended (i) Part I, Item 7 to delete its previous disclosure relating to an explanatory paragraph regarding the Company's ability to continue as a going concern because this explanatory paragraph was removed from BPM's reissued reports for such periods due to changes in the Company's circumstances, (ii) Part II, Item 9A to include a reference to the attestation report of Grant Thornton and make other changes included therein, (iii) Part III, Item 14 to include the fees of Grant Thornton for re-audit of the Company's four-month transition period ended December 31, 2012, and (iv) Part IV, Item 15 to make changes to the exhibits and to include Grant Thornton's consent and its reports with respect to the Company's consolidated financial statements and internal control over financial reporting included in the Form 10-KT/A.

Except as specifically noted above, this Form 10-KT/A does not modify or update disclosures in the Form 10-KT, and there have been no other material changes to the disclosures made in the Form 10-KT as of the filing of the Form 10-KT. Accordingly, except as specifically noted above, this Form 10-KT/A does not reflect events occurring after the filing of the Form 10-KT or modify or update any related or other disclosures.

RAPTOR PHARMACEUTICAL CORP.

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PART I

FORWARD-LOOKING STATEMENTS

(In $ thousands, except as noted or per share data and percentages)

Change in Fiscal Year End

On December 4, 2012, the board of directors of Raptor Pharmaceutical Corp., or the "Company", approved a change to the Company's fiscal year end from August 31 to December 31. As a result of this change, this Transition Report on Form 10-KT includes the financial information for the four month transition period from September 1, 2012 to December 31, 2012, or "Transition Period". References in this Transition Report on Form 10-KT to fiscal year 2012 or fiscal 2012 refer to the period from September 1, 2011 through August 31, 2012 and references to fiscal year 2011 or fiscal 2011 refer to the period from September 1, 2010 through August 31, 2011. Prior to this Transition Report on Form 10-KT, our Annual Reports on Form 10-K cover the fiscal year from September 1 to August 31.

Forward-Looking Statement

In this Transition Report on Form 10-KT, in our other filings with the Securities and Exchange Commission, or the SEC, and in press releases and other public statements by our officers throughout the year, we make or will make statements that plan for or anticipate the future. These "forward-looking statements," within the meaning of the Private Securities Litigation Reform Act of 1995, include statements about our future business plans and strategies, as well as other statements that are not historical in nature. These forward-looking statements are based on our current expectations.

In some cases, these statements can be identified by the use of terminology such as "believes," "expects," "anticipates," "plans," "may," "might," "will," "could," "should," "would," "projects," "anticipates," "predicts," "intends," "continues," "estimates," "potential," "opportunity" or the negative of these terms or other comparable terminology. All such statements, other than statements of historical facts, including our financial condition, future results of operations, projected revenues and expenses, business strategies, operating efficiencies or synergies, competitive positions, growth opportunities for existing intellectual properties, technologies, products, plans, and objectives of management, markets for our securities, and other matters, are about us and our industry that involve substantial risks and uncertainties and constitute forward-looking statements for the purpose of the safe harbor provided by Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Such forward-looking statements, wherever they occur, are necessarily estimates reflecting the best judgment of our senior management on the date on which they were made, or if no date is stated, as of the date of the filing made with the SEC in which such statements were made. You should not place undue reliance on these statements, which only reflect information available as of the date that they were made. Our business' actual operations, performance, development and results might differ materially from any forward-looking statement due to various known and unknown risks, uncertainties, assumptions and contingencies, including those described in the section titled "Risk Factors" in Part I, Item 1A of this Transition Report on Form 10-KT as well as other factors not identified therein.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, the factors discussed in this Transition Report on Form 10-KT, in other filings with the SEC and in press releases and other public statements by our officers throughout the year, could cause actual results or outcomes to differ materially and/or adversely from those expressed in any forward-looking statements made by us or on our behalf, and therefore we cannot guarantee future results, levels of activity, performance or achievements and you should not place undue reliance on any such forward-looking statements. We cannot give you any assurance that such forward-looking statements will prove to be accurate and such forward-looking events may not occur. In light of the significant uncertainties inherent in such forward-looking statements, you should not regard the inclusion of this information as a

representation by us or any other person that the results or conditions described in those statements or our objectives and plans will be achieved.

All subsequent forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to herein. Unless required by U.S. federal securities laws and the rules and regulations of the SEC, we do not undertake any obligation and disclaim any intention to update or release publicly any revisions to these forward-looking statements after the filing of this Transition Report on Form 10-KT to reflect later events or circumstances or to reflect the occurrence of unanticipated events or any other reason.

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ITEM 1: BUSINESS

You should read the following discussion in conjunction with our consolidated financial statements as of December 31, 2012, and the notes to such consolidated financial statements included elsewhere in this Transition Report on Form 10-KT. This "Business" section contains forward-looking statements.

Unless otherwise mentioned or unless the context requires otherwise (e.g., our consolidated financial statements as of December 31, 2012, and the notes to such consolidated financial statements included elsewhere in this Transition Report on Form 10-KT, or a reference to an event or circumstance that occurred prior to the effective time of the 2009 Merger on September 29, 2009), all references in this Transition Report on Form 10-KT to "the Company," "we," "our," "us" "Raptor" and similar references refer to the public company formerly known as TorreyPines Therapeutics, Inc. and now known as Raptor Pharmaceutical Corp. and its direct and indirect wholly-owned subsidiaries, Raptor Pharmaceuticals Corp. (which was merged into us as of December 7, 2011), Raptor Discoveries Inc. (which was merged into Raptor Therapeutics Inc. as of December 28, 2012), or Raptor Discoveries, Raptor Therapeutics Inc. (which changed its name to Raptor Pharmaceuticals Inc. as of December 28, 2012), or Raptor Pharmaceuticals, Raptor European Products, LLC, RPTP European Holdings C.V., Raptor Pharmaceuticals Europe B.V. and Raptor Pharmaceuticals France SAS.

Overview

We are a biopharmaceutical company focused on developing and commercializing life-altering therapeutics that treat debilitating and often fatal diseases. Our initial focus is on developing our first product candidate, RP103, for the potential treatment of nephropathic cystinosis, or cystinosis, a rare genetic disorder. Cystinosis patients are at very high risk of experiencing life-threatening metabolic disorders, including kidney failure, severe gastrointestinal dysfunction and rickets as a result of an accumulation of the amino acid, cystine, in cells. As a result, cystinosis patients have a substantially reduced life span relative to unaffected individuals.

In July 2011, we announced that RP103 had met the sole primary endpoint in our Phase 3 clinical trial designed to evaluate RP103 as a potential treatment for cystinosis. In the first quarter of calendar 2012, we submitted a New Drug Application, or NDA, to the U.S. Food and Drug Administration, or FDA, requesting approval to market RP103 as a potential treatment for cystinosis. The FDA granted Standard Review designation for RP103 and assigned an initial user fee goal date of January 30, 2013, which the FDA has extended to April 30, 2013. Also in the first quarter of calendar 2012, we submitted a Marketing Authorization Application, or MAA, to the European Medicines Agency, or EMA, requesting approval to market RP103 as a potential treatment for cystinosis.

In addition to cystinosis, we are also testing RP103 for the potential treatment of non-alcoholic steatohepatitis, or NASH, a metabolic liver disorder, and Huntington's disease, or HD, a neurodegenerative disorder.

Clinical Development Programs

Our current active clinical development programs involve the clinical evaluation of RP103, a delayed and extended release formulation of cysteamine bitartrate. Cysteamine bitartrate was approved in 1994 as an oral, immediate-release powder in a capsule for the treatment of, and is the current standard of systemic care for, cystinosis. We reengineered cysteamine bitartrate in an effort to improve the dose administration, safety and/or efficacy compared to the existing treatment for cystinosis and we are studying cysteamine bitartrate for potential applications in new disease indications. Our proprietary delayed- and extended-release formulation, RP103, is a capsule containing enteric coated micro-beads of cysteamine bitartrate. We believe we have demonstrated that RP103 requires less frequent dosing and can be taken with substantially fewer antacid medications without increasing gastro-intestinal and other side effects compared to immediate-release cysteamine bitartrate for cystinosis patients. In addition to cystinosis, we are also testing RP103 for the potential treatment of NASH and HD. We have an exclusive worldwide

license to delayed-release cysteamine from the University of California, San Diego, or UCSD, which is the basis for our proprietary formulation of cysteamine bitartrate.

Our other clinical-stage product candidate is Convivia™, our proprietary oral formulation of 4-methylpyrazole, for the potential management of acetaldehyde toxicity due to alcohol consumption by individuals with aldehyde dehydrogenase, or ALDH2, deficiency, an inherited metabolic disorder.

RP103 for Cystinosis

Cystinosis is a rare, life-threatening error of metabolism that results in toxic cystine accumulation in all cells. Cystine accumulation causes widespread tissue and vital organ failure and death in late childhood if left untreated. Cystinosis is usually diagnosed in the first year of life after children present with symptoms including markedly increased urination, thirst, dehydration, gastrointestinal distress, failure to thrive, rickets, photophobia and specific kidney symptoms (Fanconi syndrome). If patients survive to adolescence, they suffer from kidney malfunction, muscle wasting, myopathy, difficulty swallowing, respiratory problems, diabetes and hypothyroidism.

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Normal cystine protein turnover is absent in cystinosis patients, resulting in continuous intracellular cystine accumulation, which requires constant cystine depletion through aggressive therapeutic intervention. Studies have shown that cystine depleting therapy may delay and even prevent kidney transplant and lessen other clinical manifestations of the disease. The goal of cystine depletion therapy for cystinosis is to reduce cystine levels in cells to below toxic levels (generally recognized as 1nmol/mg protein in white blood cells). Immediate-release cystine depleting treatment (cysteamine bitartrate), or Cystagon®, is the current standard of care. Cystagon has been available since 1994 in the U.S. and 1997 in the EU, but, due to its pharmacokinetics, requires to an every 6-hour dosing schedule, including a middle-of-the-night dose to maintain adequate therapeutic drug levels. The dosing schedule for Cystagon requires strict adherence to every six-hour administration which is a challenge for patients and caregivers along with the drug side effects of immediate release of cysteamine bitartrate, which include severe gastrointestinal distress (nausea, vomiting) and a strong exhaled rotten egg smell and body odor. In a recent survey of 37 cystinosis patients and caregivers conducted at the June 2011 Cystinosis Research Foundation, or CRF, conference, 63% of patients rated the burden of nighttime dosing a 9 on a scale from 1 to 10 (10 being the worst burden). The requirement for middle-of-the-night dosing is the most significant compliance burden noted by patients. Inadequate disease control resulting from skipping this nocturnal dose was the subject of a major publication (Levtchenko, Pediatr Nephrol 2006). In addition to the Cystagon dosing challenges, side effects associated with immediate release cysteamine treatment include gastrointestinal distress, nausea and vomiting, beyond those normally experienced as a result of the disease itself, and a socially difficult exhaled rotten egg smell and body odor soon after drug administration, which is especially a burden for children in the middle of the school day. Patients report frequent, concomitant and chronic use of proton-pump inhibitors, or PPIs, to reduce the gastrointestinal distress. We believe that the required dosing regimen coupled with these adverse side effects results in overall poor patient compliance within the cystinosis patient population, with approximately 70% to 80% of patients failing to comply with prescribed dosing.

Patients surviving into their 20s with good adherence to cysteamine therapy from early diagnosis demonstrate that this therapy results in slowing the progression of disease to the point of delaying or potentially negating the need for a kidney transplant as well as reducing damage to other organs. Suboptimal drug handling and variable dose administration routines, the strict requirement of every 6 hour dosing, and unpleasant side effects that in some cases require temporary dosing suspensions, all contribute to the poor overall therapeutic disease control currently seen in the cystinosis population.

We are developing RP103 to address the compliance and tolerability issues associated with Cystagon. Early development work supported by funding from a cystinosis patient advocacy foundation and performed by treating physicians in cystinosis clinics at UCSD and other medical institutions worldwide highlighted the need to address these tolerability and compliance problems by the cystinosis community. The primary goal of RP103's development is to reduce the dosing frequency from once every 6 hours to once every 12 hours, thereby eliminating the especially challenging middle-of-the-night and the middle-of-the-school-day doses. We believe that a reduced frequency dosing regimen will allow patients and their caregivers to better adhere to the prescribed dosing schedule, and with improved adherence, patients and caregivers will be able to have a full uninterrupted night's sleep. Additionally parents and schools will not have to arrange for drug administration during school hours. We also believe that by delivering RP103 directly to the duodenum, RP103 will improve gastrointestinal tolerability potentially resulting in reduced PPI use, and in many patients, lessening of the rotten egg smell in breath and body odor.

Extension Study. All patients who completed our pivotal Phase 3 clinical trial of RP103 for the potential treatment of cystinosis could voluntarily enroll in a planned extension study in which they would continue to be treated with RP103 and make regular clinic visits to monitor white blood cell, or WBC, cystine levels and collect long-term safety and quality of life data. Of the 40 patients who entered the extension study after completing the Phase 3 clinical trial, 38 are currently still enrolled. These 38 patients have now taken RP103 in the extension study for at least 18 months, with some patients having been in the extension study for as long as 30 months. We included a minimum of 12 months of safety data from the 38 Phase 3 completers who elected to enroll in the extension study with our NDA and

MAA filings. We plan to keep the extension study open to all enrolled patients until RP103 becomes commercially available locally.

Based on meeting the primary endpoint in our Phase 3 clinical trial and on the findings of our RP103 bioequivalence study, which demonstrated similar drug exposure whether administered in whole capsule or sprinkled onto applesauce, U.S. and EU regulatory agencies approved our expanded enrollment in the extension study to include patients who did not qualify for the Phase 3 clinical trial. Twenty additional patients have enrolled, including 13 infants and children under six years old using RP103 sprinkled onto applesauce or administered through gastric tube, and 7 patients who have undergone a kidney transplant. Fifty-four cystinosis patients remain in this clinical study.

NDA/MAA Submission. Based on meeting the primary endpoint and other positive clinical data from our pivotal Phase 3 clinical study, the extension study and bioequivalence (microbead sprinkle) studies, we submitted applications for marketing approval of RP103 for the potential treatment of cystinosis with both the FDA and the EMA. In March 2012, the EMA validated our MAA for RP103 for the potential treatment of cystinosis. Validation of the MAA confirmed that the submission is sufficiently complete for the EMA to begin its formal review process. In June 2012, the FDA accepted for filing our RP103 NDA. The FDA assigned an initial user fee goal date of January 30, 2013 which the FDA has extended to April 30, 2013 (the date which we anticipate a response from the FDA). Future milestones payments will be payable to UCSD if the MAA and NDA for cystinosis are approved.

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Preparation for Potential Commercial Launch. In anticipation of approval of RP103, we have been preparing for launch of RP103 for the potential treatment of cystinosis in both the U.S. and the EU. In September 2012, we announced the appointment of Julie Anne Smith as our Executive Vice President, Strategy, and Chief Operating Officer, who is overseeing the preparation of our pending launch in both the U.S. and the EU, along with managing the development of general corporate strategy.

Our near term launch goal is to rapidly convert cystinosis patients unsatisfied with, uncontrolled by or intolerant of their current cystine depleting therapy to RP103, in accordance with all applicable local regulations and labeling. We anticipate FDA approval in the U.S. prior to EMA approval with subsequent launch in certain EU countries. The EMA has approved, and the FDA has provisionally approved, the name PROCYSBI™ as our branded name for RP103 for the potential treatment of cystinosis. Regulatory and launch strategy for other international markets is being planned.

In the U.S. and EU, several key legal structures and operational activities have been or are being established. These include creating the EU legal entity and subsidiary structure, defining supply chain strategies, and hiring personnel. Personnel hired include a European general manager of commercial operations, select country managers, medical affairs staff, sales/marketing representatives, market analytics and other health services managers. We anticipate additional hires before the potential launch of RP103. Several key pricing and reimbursement support activities are complete or underway including obtaining feedback from U.S. and EU payors on RP103's value proposition, development of the global value dossier, establishment of a U.S. reimbursement hub (United BioSource Corporation, or UBC) and contracting with national account and reimbursement managers. Commercial demand planning and launch inventory build is underway at our contract manufacturing organization, Patheon Pharmaceuticals, Inc. Our goal for commercial inventory at launch is to have on hand sufficient drug quantities to meet a best-case demand scenario.

RP103's development, started at UCSD and continued at our Company, has been a highly visible program in the cystinosis community for nearly a decade. We have been working with rare disease and cystinosis patient advocacy organizations in both the U.S. and the EU to establish a positive reception to RP103's market introduction if it receives regulatory approval. Our medical team has been evaluating cystinosis disease and diagnostic awareness amongst potential treating physicians, identifying current Cystagon prescribers and evaluating potential future clinical studies to improve long term patient management and treatment with RP103. UBC has begun registering U.S. cystinosis patients interested in potential RP103 treatment and future assistance with benefits adjudication, co-pays and disease and product information. The goal of early patient education and benefits investigation is to speed patient conversion from existing cystine-depleting therapy to RP103 treatment, if approved, in accordance with all local regulations and labeling.

RP103 for Huntington's disease

Huntington's disease is a rare hereditary condition caused by a defective gene. This gene makes an abnormal protein which leads to the degeneration of certain nerve cells in the brain. Adult-onset HD, the most common form of this disorder, usually appears in patients who are in their early 30's or 40's.

In 2008, we received FDA orphan drug designation for cysteamine formulations, including RP103, for the potential treatment of HD. We plan to apply for orphan drug designation in the EU pending availability of clinical data.

The treatment options for HD patients are very limited with no drugs that address the underlying pathophysiology. Drugs that are available only help minimize certain of the disease symptoms such as the uncontrollable movements and mood swings associated with HD. HD patients are believed to be deficient in brain-derived neurotrophic factor, or BDNF. In preclinical studies, cysteamine has shown the potential to slow the progression of HD by increasing the levels and intracellular transport of BDNF in mice and non-human primates.

Centre Hospitalier Universitaire, or CHU, d'Angers, France, is currently conducting a Phase 2/3 clinical trial of RP103 designed to investigate potential mechanism of cysteamine in HD patients, using BDNF as a biomarker of potential efficacy. The trial commenced in October 2010, with full enrollment in June 2012. Eight clinical sites in France have enrolled 96 patients in a placebo-controlled, 18-month trial, followed by an open label trial with all placebo patients rolling onto RP103 and all non-placebo patients continuing on RP103 for up to another 18 months. The primary endpoint of the trial is change from the baseline of the motor score of the Unified Huntington's Disease Rating Scale, or UHDRS. Blood levels of BDNF are being measured as a secondary endpoint. Under the collaboration agreement with CHU d'Angers, we supply RP103 and placebo capsules for the clinical trial and open-label extension study in exchange for regulatory and commercial rights to the clinical trial results. Clinical expenses of the study are covered by a grant from the French government. Interim results of this study following the first18 months of treatment are expected to be announced in the first half of calendar 2014.

RP103 for NASH

NASH, an advanced form of Non-alcoholic Fatty Liver Disease, or NAFLD, is a progressive liver disease, occurring in 25% of obese people. Approximately 2% to 5% of the U.S. population is afflicted with this disease, which can cause cirrhosis, liver failure and end-stage liver disease. The incidence of NASH is increasing in the U.S. adolescent population. Currently, there is no FDA approved therapeutic options for NASH. The disease is generally managed, if at all, with lifestyle changes such as diet, exercise and weight reduction.

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We believe cysteamine may exert a number of effects for the potential treatment of NASH. First, cysteamine is a potent anti-oxidant, and dietary anti-oxidants, like vitamin E, have been clinically tested in NASH studies. While the endpoint of the vitamin E study was not met, the study provided useful data. Second, cysteamine, through the formation of a cysteamine-cysteine disulfide complex, increases the production of the potent endogenous liver anti-oxidant glutathione, or GSH, and increasing GSH may have the potential to reverse NASH-related liver damage. GSH itself does not enter easily into cells, even when given in large doses. However, the cysteamine-cysteine complex easily enters cells through the lysine transporter and has been shown to be effective in treating certain conditions by preventing significant GSH depletion. Third, cysteamine has been shown to inhibit tissue transglutaminase activity, which is elevated in NASH and may contribute to the formation of fibrotic tissue associated with advanced NASH.

Our Phase 2a clinical trial of a prototype of RP103 for the potential treatment of NASH showed a marked decline in the liver enzyme alanine aminotransferase, or ALT, levels during the treatment period of 26 weeks with 7 of 11 juvenile patients achieving a greater than 50% reduction and 6 of 11 reducing levels to within normal range. Aspartate aminotransferase, or AST, levels were also improved, with patients averaging 41% reduction by the end of the treatment phase. The reduction in liver enzymes was largely sustained during the 6 month post-treatment monitoring phase. Other important liver function markers showed positive trends. Levels of cytokeratin 18, a potential serum marker of disease activity in NAFLD, showed a positive decrease by an average of 45%. Adiponectin levels showed a positive increase by an average of 35% during the treatment period. Reduced adiponectin levels are thought to be a marker of the pathogenesis and progression of NASH.

The Phase 2a trial results were consistent with ALT and AST reductions seen in patients that achieve a 10% weight loss, although Body Mass Index did not change significantly during both the treatment and post-treatment phases in our Phase 2a clinical trial. In this Phase 2a clinical trial, the prototype of RP103 demonstrated a favorable safety profile, with mean gastrointestinal symptom scores of 1.1 (the maximum score of 14 indicates the most severe gastrointestinal symptoms) at baseline and 0.7 after 6 months of treatment.

In June 2012, we announced the dosing of a first patient in our Phase 2b juvenile clinical trial evaluating the safety and efficacy of RP103 as a potential treatment of NASH. The clinical trial is being conducted pursuant to a Cooperative Research and Development Agreement, or CRADA, executed in December 2011 with the National Institute of Diabetes and Digestive and Kidney Diseases, or NIDDK, part of the National Institutes of Health.

The trial, called Cysteamine Bitartrate Delayed-Release for the Treatment of Non-alcoholic Fatty Liver Disease in Children, or CyNCh, is expected to enroll a total of 160 pediatric participants at ten U.S. centers in the NIDDK-sponsored NASH Clinical Research Network. NIDDK and we are sharing the costs to conduct the CyNCh clinical trial. The primary objective of this randomized, multicenter, double-blind, placebo-controlled Phase 2b clinical trial is to evaluate whether 52 weeks of treatment with RP103 in children reverses damage caused by NASH as measured by changes in NAFLD Activity Score, or NAS, a histological rating scale of disease activity, in conjunction with no worsening of liver fibrosis. Secondary endpoints will include blood markers for liver health including ALT and AST as well as safety and tolerability. We anticipate full enrollment by the second half of 2013 and potential data release in connection with the Phase 2b clinical trial in the second half of calendar 2014.

Other Clinical-Stage Product Candidate

Convivia™ for ALDH2 Deficiency

We are developing Convivia, our proprietary oral formulation of 4-methylpyrazole, or 4-MP, for the potential treatment of acetaldehyde toxicity resulting from ALDH2 deficiency. Sometimes referred to as ethanol intolerance or "Asian flush," ALDH2 deficiency is an inherited metabolic disorder affecting 40% to 50% of East Asian populations. The association of this metabolic disorder with serious health risks, including liver diseases and digestive tract

cancers, has been documented in numerous peer-reviewed studies over the last 10 years. ALDH2 deficiency impairs the activity of the liver enzyme ALDH2, the second enzyme of the primary metabolic pathway for ethanol and other alcohols. The result is an accumulation of acetaldehyde, a carcinogenic intermediate in the metabolism of ethanol, in blood and tissues of affected persons who drink alcoholic beverages. In recurrent drinkers, this disorder has been associated with increased risks of digestive tract cancers and other serious health problems. In addition to these long-term serious health risks, elevated acetaldehyde levels lead to immediate and unpleasant symptoms including facial flushing, tachycardia, or rapid heart rate, headache, nausea and dizziness. We are developing Convivia to potentially lower systemic acetaldehyde levels and reduce symptoms associated with alcohol intake by ALDH2-deficient individuals.

In 2008, we completed a Phase 2a clinical trial of Convivia taken concomitantly with alcohol, at a clinical research center in Honolulu, Hawaii. The study demonstrated that at all dose levels tested the active ingredient in Convivia reduced tachycardia, which is commonly experienced by ALDH2 deficient people who drink. The study also demonstrated that the active ingredient in Convivia reduced peak acetaldehyde levels and total acetaldehyde exposure in a subset of the study participants who possess specific genetic variants of the liver ADH and ALDH2 enzymes estimated to occur in about 15% to 20% of East Asians.

We own the intellectual property portfolio pertaining to Convivia, including method of use and formulation patents filed by us. In June 2010, we granted an exclusive license to commercialize Convivia in Taiwan to Uni Pharma Co., Ltd. Under this agreement, Uni Pharma is responsible for clinical development, registration and commercialization of Convivia in Taiwan. We continue to seek partners in other Asian countries to license Convivia.

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Preclinical Product Candidates

Our preclinical programs, for which we are seeking development partners for these programs include our cysteamine dioxygenase, or ADO, program, to improve treatment of diseases for which cysteamine is therapeutic and our HepTide™ program to treat hepatocellular carcinoma and other cancers susceptible to induced lysosomal storage. In December 2012, we decided to terminate our WntTide™ program based upon recent preclinical study results.

Other Development Areas

Securing Additional and Complementary Technology Licenses from Others

We plan to establish additional research collaborations with prominent universities and research labs and to secure licenses from these universities and labs for technology resulting from the collaborations. No assurances can be made regarding our ability to establish such collaborations over the next 12 months, or at all. We intend to focus our in-licensing and product candidate acquisition activities on identifying complementary therapeutics, therapeutic platforms that offer a number of therapeutic targets, and clinical-stage therapeutics based on existing approved drugs in order to create proprietary reformulations to improve safety and efficacy or to expand such drugs' clinical indications through additional clinical trials. We may obtain these products through collaborations, joint ventures or through merger and/or acquisitions with other biotechnology companies.

Corporate Information

We are incorporated under the laws of the State of Delaware and our business was founded in May 2006. Our principal executive office is located at 9 Commercial Blvd., Suite 200, Novato, CA 94949. Our phone number is (415) 382-8111.

As of February 22, 2013, there were 53,506,604 shares of our common stock outstanding. Our common stock currently trades on the NASDAQ Global Market under the ticker symbol "RPTP."

Corporate History

In July 2009, our subsidiary merged with and into Raptor Pharmaceuticals Corp., a Delaware corporation, or RPC, pursuant to which the stockholders of RPC received shares of our common stock in exchange for their shares of stock and RPC survived as our wholly-owned subsidiary. This merger is referred to herein as the 2009 Merger. Immediately prior to the 2009 Merger, we changed our corporate name from "TorreyPines Therapeutics, Inc." to "Raptor Pharmaceutical Corp." At the time of the 2009 Merger, RPC had two principal subsidiaries, Raptor Discoveries, a development-stage research and development company, and Raptor Therapeutics, which focuses on developing clinical-stage drug product candidates through to commercialization and, in connection with the 2009 Merger, these two subsidiaries became our subsidiaries. In December 2012, the two principal subsidiaries were merged and currently operate under the name Raptor Pharmaceuticals Inc. Due to the amount of our stock issued to the stockholders of RPC in the 2009 Merger, RPC was treated as the "accounting acquirer" in the merger, and its board of directors and officers manage and operate the combined company. In December 2011, we merged RPC with and into us and it ceased to exist as a separate company. TorreyPines Therapeutics was incorporated in July 1997 under the name "Axonyx, Inc." and RPC was incorporated in May 2006 under the name "Highland Clan Creations Corp."

Exercises of Common Stock Options and Common Stock Warrants

During the cumulative period from September 8, 2005 (inception) through February 22, 2013, we received approximately $24.6 million from the exercise of warrants in exchange for the issuance of an aggregate of

approximately 10.1 million shares of our common stock.

During the cumulative period from September 8, 2005 (inception) through February 22, 2013, we received approximately $0.7 million from the exercise of stock options resulting in the issuance of 319,489 shares of our common stock.

Outstanding Common Stock Warrants

As of February 22, 2013, we had the following warrants outstanding related to the assumption of warrants from our Encode merger, issuance of warrants related to our May/June 2008 private placement, issuance of warrants related to our August 2009 private placement, the assumption of warrants pursuant to the 2009 Merger, issuance of warrants related to our December 2009 registered direct offering and issuance of warrants related to our August 2010 private placement. See Note 11 in our consolidated financial statements attached as an exhibit to this Transition Report on Form 10-KT for further discussion regarding our common stock warrants.

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	Number of shares exercisable (in thousands)	Exercise price	Expiration Date
Issued in connection with Encode merger	233	$ 2.87	12/13/2015
Issued to placement agents in May / June 2008	433	$ 2.36	5/21/2013
Issued to placement agents in August 2009	65	$ 1.50	8/21/2014
TorreyPines warrants assumed in 2009 Merger	8	$ 80.86	*6/11/2013 - 9/26/2015
Issued to registered direct investors in Dec. 2009	631	$ 2.45	12/22/2014
Issued to private placement investors in Aug. 2010	2,495	$ 3.075	8/12/2015
Issued to placement agent in Aug. 2010	98	$ 3.075	8/12/2015
Total warrants outstanding	3,963	$ 3.03	*

* Weighted average exercise price

2011 Follow-on Public Offering

On September 13, 2011, we announced the closing of an underwritten public offering of shares of our common stock at a price to the public of $4.00 per share. The shares sold in the offering included 10.0 million shares of our common stock plus an additional 1.5 million shares of our common stock pursuant to the exercise by JMP Securities LLC, Canaccord Genuity Inc. and Cowen and Company, LLC, the underwriters for the offering, of the over-allotment option we granted to them. Total gross proceeds to us in the offering (including in connection with the sale of the shares of common stock pursuant to the exercise of the over-allotment option) totaled $46.0 million, before underwriting discounts and commissions. The offering resulted in net proceeds to us of approximately $42.9 million after deduction of underwriting discounts and other offering expenses payable by us. We expect to use the net proceeds from the offering to fund our commercial and pre-commercial efforts, clinical and preclinical development programs and other general corporate activities.

Issuances of Common Stock in Connection with an At-the-Market Common Stock Sales Program

On April 30, 2012, we entered into an "At-the-Market", or ATM, Sales Agreement, with Cowen and Company, LLC, or Cowen, under which we may, at our discretion, sell our common stock with a sales value of up to a maximum of $40 million through ATM sales on the NASDAQ Stock Market. Cowen acts as sole sales agent for any sales made under the ATM for a 3% commission on gross proceeds. The common stock is being sold at prevailing market prices at the time of the sale of common stock, and, as a result, prices vary.

Sales in the ATM offering are being made pursuant to the prospectus supplement dated April 30, 2012, as amended by Amendment No. 1 dated June 28, 2012, which supplements our prospectus dated February 3, 2012, filed as part of the shelf registration statement that was declared effective by the SEC on February 3, 2012. Through February 22, 2013 we sold approximately 3.1 million shares under the ATM at a weighted-average selling price of $5.24 per share for net proceeds of approximately $15.9 million.

Proprietary Rights

IP Protection for RP103 for Cystinosis and Other Indications

Our composition and method of use patents.

We have an exclusive worldwide license from UCSD to issued and pending patents covering composition of matter, or COM, method of use, or MOU, and composition for use, or CFU, for RP103, a Delayed Release form of cysteamine bitartrate, to treat cystinosis and other therapeutic indications. U.S. Patent No. 8,129,433 (expires 2027), for which applications are pending in European and other countries, represents a COM patent, which covers the composition comprising cysteamine and any material that provides increased delivery to the small intestine and composition comprising enterically coated cysteamine. U.S. Patent No. 8,026,284 (expires 2027), for which applications are pending in European and other countries, represents a MOU patent, which covers method of administering cysteamine composition that increases delivery to small intestine, at a dosing schedule less than four times daily, including two times daily and contains pharmacokinetic claims. European Patent 1919458 (expires 2027), represents a CFU patent and covers the use of any composition of enterically coated cysteamine or cystamine, regardless of the specific formulation, for treating cystinosis two times a day.

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Our cysteamine intellectual property to treat metabolic and neurodegenerative conditions.

In addition, our UCSD license includes U.S. Patent No. 7,994,226 and 8,263,662 (expire 2028), MOU patents which covers cysteamine and related compounds for the potential treatment of NASH and NAFLD, respectively. Our exclusive worldwide license from the Weizmann Institute includes U.S. Patent Nos. 6,794,414 and 6,355,690, MOU patents which cover the use of transglutaminase inhibitors (a class of molecules which includes cysteamine) to treat HD and other neurodegenerative diseases mediated by transglutaminase, or other diseases associated with CAG repeat expansion.

In May 2012, we acquired exclusive rights to U.S. patent application 13/277,942 related to cysteamine and related compounds in the potential treatment of parasitic diseases, including malaria, from McGill University, or McGill, in Montreal, Canada. The McGill application covers the use of cysteamine and related compounds in the potential treatment of malaria in combination with artemisinin, the current standard of care. Researchers at McGill reported that, in mouse models of malaria, the combination reduced parasite levels in red blood cells and improved survival rates compared to artemisinin alone.

In June 2012, we acquired exclusive rights to international patent application PCT/CA 2012/050106, related to cysteamine and related compounds for the potential treatment of Parkinson's disease from Université Laval, or Laval, Quebec, Canada. Our agreement with Laval provides exclusive rights to technology related to the use of cysteamine and related compounds to potentially modify the progression of Parkinson's disease. Researchers at Laval reported that administration of cystamine (an oxidized form of cysteamine) in an animal model of Parkinson's disease showed signs of preventing neuron loss and rescuing neurons undergoing a degenerative process. Signs of restoration of neuronal loss and partial reversal of behavioral impairments were also observed.

In September 2012, we acquired exclusive world-wide rights to international patent application PCT/US11/57935, related to cysteamine and related compounds in the potential treatment of tissue fibrosis from the Seattle Children's Research Institute, or SCRI. Researchers at SCRI demonstrated in preclinical studies in mice that daily treatment with cysteamine attenuated renal fibrosis, with up to 25% reduction of extracellular fibrotic material observed over a 21-day study period.

Regulatory Exclusivity

Orphan Drug Designation

We have been granted Orphan Drug Designation from the FDA for use of RP103 to potentially treat cystinosis and the use of cysteamine to potentially treat HD and Batten Disease (although we are not currently working on the development of a drug product candidate for Batten Disease). The Orphan Drug Act of 1983 generally provides incentives, including marketing exclusivity and tax benefits, to companies that undertake development and marketing of products to treat relatively rare diseases, which are defined as diseases for which fewer than 200,000 persons in the U.S. would be likely to receive the treatment. A drug that receives orphan drug status may receive up to seven years of exclusive marketing in the U.S. for that indication (with an additional half year if for a pediatric indication). Our RP103 may receive orphan drug exclusivity if the Office of Orphan Products determines that our enteric formulation of cysteamine bitartrate is "clinically superior" to the approved product by means of greater effectiveness, greater safety, or that it provides a major contribution to patient care; or if the Review Division determines RP103 has comparable efficacy and/or is safer than the approved formulation or provides a major contribution to clinical care.

RP103 has also been granted Orphan Drug Designation by the EMA. Equivalent European regulations provide for ten years of marketing exclusivity for cystinosis in Europe.

Hatch-Waxman Act

Under the Drug Price Competition and Patent Term Restoration Act of 1984, or the Hatch-Waxman Act, our enteric formulation of RP103 is eligible for a 3-year regulatory exclusivity period as a reformulated version of a previously approved drug substance for which clinical studies that are essential for approval have been conducted.

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Competition

Cystinosis

We are aware of only one pharmaceutical product currently approved by the FDA and the EMA to treat cystinosis, Cystagon (immediate-release cysteamine bitartrate capsules), is marketed in the U.S. by Mylan Pharmaceuticals, and by Recordati and Orphan Europe in markets outside of the U.S. Cystagon was approved by the FDA in 1994 and by EMA in 1997 and is the standard of care for cystinosis treatment.

While we believe that our RP103 formulation will be well received in the market due to what we believe is reduced dose frequency and improved tolerability, if we receive marketing approval, we anticipate that Cystagon will remain on the market and will compete with our product. We are not aware of any pharmaceutical company with an active program to develop an alternative therapy for cystinosis. There are companies developing and/or marketing products to treat symptoms and conditions related to, or resulting from cystinosis, but none developing products to treat the underlying metabolic disorder (toxic cystine accumulation). Academic researchers in the U.S. and Europe are pursuing potential cures for cystinosis through gene therapy, stem cell therapy, pro-drug and pegylated drug approaches as alternatives to cysteamine bitartrate. We believe that the development timeline to an approved product for these approaches is many years with substantial uncertainty.

Huntington's Disease

We are not aware of any currently available treatment alternatives for HD, although there are products available such as Haldol®, Klonopin® and Xenazine® to treat uncontrollable movements and mood swings that result from the disease. There are several pharmaceutical companies pursuing potential cures and treatments for HD, as well as numerous academic and foundation sponsored research efforts. To our knowledge, our product candidate, RP103, is the only compound in clinical development which specifically targets the fundamental metabolic defect of the disease (deficient brain-derived neurotrophic factor), with the goal of slowing disease progression.

Companies with HD product candidates in development include Eli Lilly & Co. and Pfizer. Several other companies have drug candidates in preclinical development. Additionally, nutritional supplements including creatinine and coenzyme Q10 have been investigated as potential treatments for HD. The Huntington Study Group sponsors numerous studies of potential therapies for HD, including coenzyme Q10 and the antibiotic minocycline.

NASH

We are not aware of any currently available treatment options for NASH. Weight loss, healthy diet, abstinence from alcohol and increased physical activity are typically suggested to slow the onset of NASH. There are numerous therapies being studied for NASH, including anti-oxidants (Vitamin E, Cystadane® from RDT, Moexipril® from Univasc), insulin sensitizing agents (Actos® from Takeda Pharmaceuticals, in an ongoing Phase 3 study for NASH sponsored by University of Texas) and drugs to improve blood flow (Trental® from Aventis for treatment of intermittent claudication, which is reported to have failed to meet endpoints in a terminated Phase 2 study for NASH). Gilead Sciences is developing a pan-caspase inhibitor for NASH. Other products being studied for NASH include Byetta® from Bristol Myers Squibb, in an ongoing Phase 2/3 study for NASH; and siliphos, or milk thistle, in a UCSD Phase 2 study for NASH.

ALDH2 Deficiency

We are not aware of any pharmaceutical products currently approved for ALDH2 deficiency, either in the U.S. or internationally. However, given the size of the potential patient population and the emerging awareness of this disorder as a serious health risk, we expect there are or will be other pharmaceutical companies, especially those with

commercial operations in Asian countries, developing products to treat the symptoms of this condition.

Additionally, there are non-pharmaceutical products available such as supplements and traditional remedies, especially in some Asian countries, which are claimed to be effective in reducing the symptoms associated with ALDH2 deficiency and other physical reactions to ethanol consumption. Although we are not aware of any study which has demonstrated the efficacy of such non-pharmaceutical alternatives, these products may compete with our ALDH2 deficiency product candidate if it is approved for marketing.

Government Regulations of the Biotechnology Industry

Regulation by governmental authorities in the U.S. and foreign countries is a significant factor in the development, manufacture and expected marketing of our drug product candidates and in our ongoing research and development activities. The nature and extent to which such regulation will apply to us will vary depending on the nature of any drug product candidates developed. We anticipate that all of our drug product candidates will require regulatory approval by governmental agencies prior to commercialization.

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In particular, human therapeutic products are subject to rigorous preclinical and clinical testing and other approval procedures of the FDA and similar regulatory authorities in other countries. Various federal statutes and regulations also govern or influence testing, manufacturing, safety, labeling, storage, and record-keeping related to such products and their marketing. The process of obtaining these approvals and the subsequent compliance with the appropriate federal statutes and regulations requires substantial time and financial resources.

Before obtaining regulatory approvals for the commercial sale of any of our products under development, we must demonstrate through preclinical studies and clinical trials that the product is safe and efficacious for use in each target indication. The results from preclinical studies and early clinical trials might not be predictive of results that will be obtained in large-scale testing. Our clinical trials might not successfully demonstrate the safety and efficacy of any product candidates or result in marketable products.

In order to clinically test, manufacture and market products for therapeutic use, we will have to satisfy mandatory procedures and safety and effectiveness standards established by various regulatory bodies. In the U.S., the Public Health Service Act and the Federal Food, Drug, and Cosmetic Act, as amended, and the regulations promulgated thereunder, and other federal and state statutes and regulations govern, among other things, the testing, manufacture, labeling, storage, record keeping, approval, advertising, and promotion of our current and proposed product candidates. Product development and approval within this regulatory framework takes a number of years and involves the expenditure of substantial resources.

The steps required by the FDA before new drug products may be marketed in the U.S. include:

- completion of prerequisite preclinical studies;
- the submission to the FDA of a request for authorization to conduct clinical trials on an investigational new drug application, or IND, which must become effective before clinical trials may commence;
- adequate and well-controlled Phase 1, Phase 2 and Phase 3 clinical trials to establish and confirm the safety and efficacy of a drug candidate;
- submission to the FDA of a new drug application, or NDA, for the drug candidate for marketing approval; and
- review and approval of the NDA by the FDA before the product may be sold commercially.

In addition to obtaining FDA approval for each product, each product manufacturing establishment must be registered with the FDA and undergo an inspection prior to the approval of an NDA. Each manufacturing facility and its quality control and manufacturing procedures must also conform and adhere at all times to the FDA's Current Good Manufacturing Practices, or cGMP, regulations. In addition to preapproval inspections, the FDA and other government agencies regularly inspect manufacturing facilities for compliance with these requirements. If, as a result of these inspections, the FDA determines that any equipment, facilities, laboratories or processes do not comply with applicable FDA regulations and conditions of product approval, the FDA may seek civil, criminal or administrative sanctions and/or remedies against us, including the suspension of the manufacturing operations. Manufacturers must expend substantial time, money and effort in the area of production and quality control to ensure full technical compliance with these standards.

Preclinical testing includes laboratory evaluation and characterization of the safety and efficacy of a drug and its formulation. Preclinical testing results are submitted to the FDA as a part of an IND which must become effective prior to commencement of clinical trials. Clinical trials are typically conducted in three sequential phases following submission of an IND. Phase 1 represents the initial administration of the drug to a small group of humans, either patients or healthy volunteers, typically to test for safety (adverse effects), dosage tolerance, absorption, distribution, metabolism, excretion and clinical pharmacology, and, if possible, to gain early evidence of effectiveness. Phase 2 involves studies in a small sample of the actual intended patient population to assess the efficacy of the drug for a specific indication, to determine dose tolerance and the optimal dose range and to gather additional information relating to safety and potential adverse effects. Once an investigational drug is found to have some efficacy and an

acceptable safety profile in the targeted patient population, Phase 3 studies are initiated to further establish clinical safety and efficacy of the therapy in a broader sample of the general patient population, in order to determine the overall risk-benefit ratio of the drug and to provide an adequate basis for any physician labeling. During all clinical studies, we must adhere to Good Clinical Practice, or GCP, standards. The results of the research and product development, manufacturing, preclinical studies, clinical studies and related information are submitted in an NDA to the FDA.

The process of completing clinical testing and obtaining FDA approval for a new drug is likely to take a number of years and require the expenditure of substantial resources. If an application is submitted, there can be no assurance that the FDA will review and approve the NDA. Even after initial FDA approval has been obtained, further studies, including post-market studies, might be required to provide additional data on safety and will be required to gain approval for the use of a product as a treatment for clinical indications other than those for which the product was initially tested and approved. Also, the FDA will require post-market reporting and might require surveillance programs to monitor the side effects of the drug. Results of post-marketing programs might limit or expand the further marketing of the products. Further, if there are any modifications to the drug, including changes in indication, manufacturing process, labeling or a change in manufacturing facility, an NDA supplement might be required to be submitted to the FDA.

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The rate of completion of any clinical trials will be dependent upon, among other factors, the rate of patient enrollment. Patient enrollment is a function of many factors, including the size of the patient population, the nature of the trial, the availability of alternative therapies and drugs, the proximity of patients to clinical sites and the eligibility criteria for the study. Delays in planned patient enrollment may result in increased costs and delays. We do not know whether our IND for future products or the protocols for any future clinical trials will be accepted by the FDA. We do not know if our clinical trials will begin or be completed on schedule or at all. Even if completed, we do not know if these trials will produce clinically meaningful results sufficient to support an application for marketing approval. The commencement of our planned clinical trials could be substantially delayed or prevented by several factors, including:

- a limited number of, and competition for, suitable patients with particular types of disease for enrollment in clinical trials;
- delays or failures in obtaining regulatory clearance to commence a clinical trial;
- delays or failures in obtaining sufficient clinical materials;
- delays or failures in reaching agreement on acceptable clinical trial agreement terms or clinical trial protocols with prospective sites; and
- delays or failures in obtaining Institutional Review Board, or IRB, approval to conduct a clinical trial at a prospective site.

The completion of our clinical trials could also be substantially delayed or prevented by several factors, including:

- slower than expected rates of patient recruitment and enrollment;
- failure of patients to complete the clinical trial;
- unforeseen safety issues;
- lack of efficacy during clinical trials;
- inability or unwillingness of patients or medical investigators to follow our clinical trial protocols;
- inability to monitor patients adequately during or after treatment; and
- regulatory action by the FDA for failure to comply with regulatory requirements.

Failure to comply with applicable FDA requirements may result in a number of consequences that could materially and adversely affect us. Failure to adhere to approved trial standards and GCPs in conducting clinical trials could cause the FDA to place a clinical hold on one or more studies which would delay research and data collection necessary for product approval. Noncompliance with GCPs could also have a negative impact on the FDA's evaluation of an NDA. Failure to adhere to cGMPs and other applicable requirements could result in FDA enforcement action and in civil and criminal sanctions, including but not limited to fines, seizure of product, refusal of the FDA to approve product approval applications, withdrawal of approved applications, and prosecution.

Whether or not FDA approval has been obtained, approval of a product by regulatory authorities in foreign countries must be obtained prior to the commencement of marketing of the product in those countries. The requirements governing the conduct of clinical trials and product approvals vary widely from country to country, and the time required for approval might be longer or shorter than that required for FDA approval. Although there are some procedures for unified filings for some European countries, in general, each country at this time has its own procedures and requirements. There can be no assurance that any foreign approvals would be obtained.

In most cases, if the FDA has not approved a drug product candidate for sale in the U.S., the drug product candidate may be exported for sale outside of the U.S. only if it has been approved in any one of the following: the European Union, Canada, Australia, New Zealand, Japan, Israel, Switzerland and South Africa. Specific FDA regulations govern this process.

In addition to the regulatory framework for product approvals, we and our collaborative partners must comply with federal, state and local laws and regulations regarding occupational safety, laboratory practices, the use, handling and

disposition of radioactive materials, environmental protection and hazardous substance control, and other local, state, federal and foreign regulations. All facilities and manufacturing processes used by third parties to produce our drug candidates for clinical use in the U.S. must conform with cGMPs. These facilities and practices are subject to periodic regulatory inspections to ensure compliance with cGMP requirements. Their failure to comply with applicable regulations could extend, delay, or cause the termination of clinical trials conducted for our drug candidates or of manufacturing and sale of any of our products approved for sale. We cannot accurately predict the extent of government regulation that might result from future legislation or administrative action.

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Legal Proceedings

We know of no material, active or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceedings or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial stockholders are an adverse party or have a material interest adverse to us.

Research and Development

We have an active research and development effort. Our plan is to focus our research and development efforts in the discovery, research, preclinical and clinical development of our clinical drug candidates in order to provide therapies that we believe will be safer, less intrusive and more effective than current approaches in treating a wide variety of disorders. During the period from the four months ended December 31, 2012 and September 8, 2005 (inception) to December 31, 2012, we incurred approximately $9.0 million and $69.6 million, respectively, in research and development costs ($21.4 million, $14.8 million and $9.3 million during the fiscal years ended August 31, 2012, 2011 and 2010, respectively).

Operating Segment and Geographic Information

Operating segments are components of an enterprise for which separate financial information is available and are evaluated regularly by a company in deciding how to allocate its resources and to assess its performance. We have reviewed how we allocate our resources and analyze performance worldwide and have determined that, because employees work on integrated programs in the U.S. and in Europe, encompassing all stages of product development and commercialization, we operate in one segment.

Compliance with Environmental Laws

We estimate the annual cost of compliance with environmental laws, comprised primarily of hazardous waste removal, will be nominal.

Employees

We presently have 41 full time employees and 1 part-time employee. Of the 41 employees, 26 are general and administrative (which includes 13 employees who are focused on preparation for the potential launch of RP103 in the U.S. and the EU) and 15 are involved in research and development. Based on our current plan, over the next 12 month period, we plan to add approximately 15 to 25 people in the following functions: field based sales and medical affairs, commercial, regulatory, clinical, manufacturing, program management, quality and finance. In addition, administrative, regulatory, clinical, commercial and human resources consultants will be used as appropriate.

Facilities

Our primary offices are located at 9 Commercial Blvd., Suite 200, Novato, CA 94949. Our main phone number is (415) 382-8111 and our facsimile number is (415) 382-8002.

Website

Our website is located at www.raptorpharma.com. Any information contained in, or that can be accessed through, our website is not incorporated by reference into, nor is it in any way a part of, this Transition Report on Form 10-KT.

Available Information

We are subject to the reporting requirements under the Exchange Act. Consequently, we are required to file reports and information with the SEC, including reports on the following forms: annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. These reports and other information concerning us may be accessed through the SEC's website at www.sec.gov and on our website at www.raptorpharma.com. Such filings are placed on our website as soon as reasonably practicable after they are filed with the SEC. Information contained in, or that can be accessed through, our website is not part of this Transition Report on Form 10-KT.

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ITEM 1A: RISK FACTORS

(In $ thousands, except as noted or per share data and percentages)

An investment in our common stock involves a high degree of risk. Before investing in our common stock, you should consider carefully the specific risks detailed in this "Risk Factors" section, together with all of the other information contained in this Transition Report on Form 10-KT. If any of these risks occur, our business, results of operations and financial condition could be harmed, the price of our common stock could decline, and you may lose part or all of your investment.

Risks Associated with Product Development and Commercialization

We currently depend entirely on the success of our lead compound, RP103. We may not receive marketing approval for, or successfully commercialize, RP103 for any indication.

We currently have no drug products for sale. We are not permitted to market our lead compound, RP103, in the U.S. or any other market until we obtain necessary regulatory approvals. To market a new drug in the U.S., we must submit to the FDA and obtain FDA approval of an NDA for each individual disease indication. To market a new drug in Europe, we must submit to the EMA or relevant regulatory authority in the designed Reference Member State and obtain approval of an MAA for each individual disease indication. An NDA or MAA must be supported by extensive clinical and preclinical data, as well as extensive information regarding chemistry, manufacturing and controls, to demonstrate the safety and efficacy of the applicable product candidate for the treatment of each individual disease indication.

In March 2012, we submitted an NDA to the FDA and an MAA to the EMA seeking approval to market our investigational drug candidate, Cysteamine Bitartrate Delayed-release Capsules (RP103) for the potential treatment of nephropathic cystinosis. The FDA has assigned the Prescription Drug User Fee Act goal date of April 30, 2013 for the RP103 NDA. Our MAA for RP103 is under review by the EMA. We anticipate a decision from the EMA in the second half of calendar 2013. There is no assurance that we will obtain regulatory approval for RP103 for the potential treatment of cystinosis in the U.S. or the EU.

We have additional product development programs in the clinical testing stage for the use of RP103 in HD and in NASH. These product development programs have not advanced to the stage of a submission for marketing approval to the FDA or EMA or to any other regulatory body in any other jurisdiction.

Obtaining approval of an NDA or MAA or any other filing for approval in a foreign country is an extensive, lengthy, expensive and uncertain process. The FDA, EMA or other regulatory authorities may reject a filing or delay, limit or deny approval of RP103 for many reasons, including:

- the results of clinical trials may not meet the level of statistical significance or clinical significance required by the FDA, EMA and/or other regulatory authorities for approval;
- the FDA, EMA or other regulatory authorities may disagree with the number, design, size, conduct or implementation of our clinical trials; may not find the data from preclinical studies and clinical trials sufficient to demonstrate that RP103 has adequate clinical and other benefits and an adequate safety profile; or may disagree with our interpretation of data from preclinical studies or clinical trials and require that we conduct one or more additional trials;
- the FDA, EMA or other regulatory authorities may not accept data generated at our clinical trial sites;
- the FDA, EMA or other regulatory authorities may have difficulties scheduling an advisory committee meeting (if required) in a timely manner or the advisory committee may recommend against approval of our application or may

recommend that the FDA require, as a condition of approval, additional preclinical studies or clinical trials, limitations on approved labeling or distribution and use restrictions;

- the FDA, EMA or other regulatory authorities may require additional preclinical or clinical studies or other data prior to granting approval, and we may not be able to generate the required data on a timely basis if at all;
- the FDA, EMA or other regulatory authorities may impose limitations on approved labeling of RP103 thus introducing reimbursement complications which may limit access for intended users;
- the FDA, EMA or other regulatory authorities may identify deficiencies in the manufacturing processes or in the facilities of our third party contract manufacturers, or may require us to manufacture additional validation batches or change our process or specifications;
- we may not be able to validate our manufacturing process to the satisfaction of the FDA, EMA, or other regulatory authorities, or they may not agree with our plan for concurrent validation; or
- the FDA, EMA or other regulatory authorities may change approval policies or adopt new regulations.

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Despite regulatory guidelines, we cannot reliably predict if or when any of the drug product candidates we are developing or intend to develop will be approved for marketing. If we fail within a reasonable time period to gain approval for our lead drug product program, RP103 for the potential treatment of cystinosis, our financial results and financial condition will be adversely affected. In such a case, we will have to delay or terminate some or all of our research product development programs and may be forced to dramatically restructure or cease operations.

Any of our product candidates, if approved by the FDA, EMA or other regulatory authorities could be subject to labeling and other restrictions or market withdrawal, and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our products.

Any regulatory approvals that we obtain for our product candidates will also be subject to limitations on the approved indicated uses for which the product may be marketed or to the conditions of approval. In addition, if the FDA, EMA or other regulatory authorities approve a product candidate, the manufacturing processes, labeling, packaging, distribution, storage, adverse event reporting, dispensation, distribution, advertising, promotion and recordkeeping for the product will be subject to extensive and ongoing regulatory requirements. These requirements will include submissions of safety and other post-marketing information and reports, ongoing maintenance of product registration, as well as continued compliance with cGMPs (good manufacturing practices), GCPs (good clinical practices), and GLPs (good laboratory practices). If we do not comply with the applicable regulations and requirements, the range of possible sanctions includes issuance of adverse publicity, product recalls or seizures, fines, total or partial suspensions of production and/or distribution, suspension of marketing applications, and enforcement actions, including injunctions and civil or criminal prosecution. The FDA and comparable international regulatory agencies can withdraw a product's approval under some circumstances, such as the failure to comply with regulatory requirements or unexpected safety issues.

If we are unable to successfully commercialize RP103, if approved, for the treatment of cystinosis, or experience significant delays in doing so, our business will be materially harmed.

Our strategy is to build a biopharmaceutical company focused on the development of RP103 in multiple indications (with testing of additional applications of RP103) and a robust pipeline of other candidate compounds. We anticipate that, for at least the next several years, our ability to generate revenues will depend in large part upon U.S. and EU regulatory approval and successful commercialization of RP103 for the treatment of cystinosis, given that our other product candidates are currently in clinical or preclinical development. The successful commercialization of RP103 will depend on several factors, including:

- approval of RP103 for the treatment of cystinosis by applicable regulatory authorities;
- if approved for marketing and sale, the successful launch of RP103 for the treatment of cystinosis in the U.S., the EU and other selected territories throughout the economically developed world;
- identification of potential physician prescribers and potential patients for, and obtaining sales of RP103, if approved for marketing and sale, for the treatment of cystinosis;
- effective communication of the relative safety and efficacy of RP103 compared to competitive products or alternative therapeutic regimes;
- if approved for marketing and sale, obtaining acceptance of RP103 for the treatment of cystinosis by physicians, parents, patients and cystinosis research/advocacy organizations;
- if approved for marketing and sale, obtaining and maintaining appropriate reimbursement for RP103 for the treatment of cystinosis from commercial health plans and government health programs, which we refer to collectively as third-party payors;
- maintaining compliance with regulatory requirements;
- if approved for marketing and sale, provision of affordable out-of-pocket cost to patients and/or other programs to ensure patient access to RP103;
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- if approved for marketing and sale, approval by the FDA, EMA and other regulatory agencies of appropriate product labeling for RP103;
- establishing and maintaining agreements with wholesalers and distributors on commercially reasonable terms;
- if approved for marketing and sale, manufacture and supply of adequate supplies of RP103 to meet commercial demand;
- development and maintenance of intellectual property protection for RP103 for the potential treatment of cystinosis to minimize potential competition; and
- execution of robust pre-launch, commercial launch and ongoing commercial operations and medical affairs' activities in support of marketing and sales requirements.

If we fail to successfully commercialize RP103, if approved for marketing, for the treatment of cystinosis at sufficient sales levels, we will be unable to sustain or grow our business and we may never become profitable, and our business, financial condition and results of operations will be adversely affected.

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If approved for marketing and sale, pressure on drug product third-party coverage and reimbursement/pricing may impair our ability to be reimbursed for our products, at prices or on terms sufficient to provide a viable financial outcome.

Market acceptance and sales of any product candidates that we may develop will depend in large part on global reimbursement policies and may be affected by future healthcare reform measures, both in the U.S., EU and other key international markets. The continuing efforts of governmental and third-party payors to contain, reduce or shift the costs of healthcare through various means may harm our business. Successful commercialization of our products will depend in part on the availability of governmental and third-party private payor reimbursement for the therapeutic value of our products. For example, in many foreign markets, the pricing or profitability of healthcare products is subject to government control. In the U.S., there has been, and we expect there will continue to be, a number of federal and state proposals to implement similar government price control. If any of our product candidates become marketable, the implementation or even the announcement of any of these legislative or regulatory proposals or reforms could harm our business, by reducing the prices we are able to charge for our products, reducing the reimbursement rates for our products and increasing governmental rebates, impeding our ability to achieve profitability, raise capital or form collaborations. In particular, in the U.S., private health insurers and other third-party payors often follow the coverage and reimbursement policies of government payors, including the Medicare or Medicaid programs. In many European countries, patients are unlikely to use prescription drugs that are not reimbursed by their governments. Further, the increased emphasis on managed healthcare in the U.S. and on country and regional pricing and reimbursement controls in the EU will put additional downward pressure on product pricing, reimbursement and usage, which may adversely affect our product sales, and results of operations. In the U.S., EU and other significant or potentially significant markets for our product candidates, government authorities and third-party payors are increasingly attempting to limit or regulate the price of medical products and services, particularly for new and innovative products and therapies, which has resulted in lower average selling prices. These pressures can arise from rules and practices of managed care groups, judicial decisions and governmental laws and regulations related to Medicare, Medicaid and healthcare reform, drug coverage and reimbursement policies and pricing in general. For our product candidates, we will not know what the reimbursement rates will be until we obtain regulatory approval and then launch and enter into payor negotiations. If we are unable to obtain sufficiently high reimbursement rates for our products, they will not be commercially viable.

Even if we receive regulatory approval for RP103 for the treatment of cystinosis, our ability to generate revenues from RP103 will be subject to attaining significant market acceptance among physicians, patients, patient families, healthcare payors and the healthcare community.

If approved for marketing and sale, RP103 for the treatment of cystinosis may not attain market acceptance among physicians, patients, patient families, healthcare payors or the healthcare community. We believe that the degree of market acceptance and our ability to generate revenues from RP103, if marketing approval is obtained, will depend on a number of factors, including:

- availability and relative efficacy and safety of therapeutic alternatives;
- timing of market introduction of our products as well as competitive drugs;
- efficacy and safety and real-world patient and physician experience with RP103 for cystinosis;
- identification of currently diagnosed and undiagnosed patients and continued projected growth of the cystinosis market;
- prevalence and severity of any side effects;
- acceptance by patients, patient families, primary care specialists and key specialists;
- potential or perceived advantages or disadvantages of our products compared to alternative treatments, including safety, efficacy, cost of treatment and relative convenience and ease of administration;
- strength of sales, marketing, market access, medical affairs and distribution support;
- the price of our products, both in absolute terms and relative to alternative treatments;

- the effect of current and future healthcare laws;
- availability of coverage and adequate reimbursement and pricing from government and other third-party payors; and
- breadth of product labeling or product insert requirements of the FDA, EMA or other regulatory authorities.

If approved for marketing and sale and if RP103 for the treatment of cystinosis does not receive significant market acceptance among physicians, patients, patient families, healthcare payors or the healthcare community, our ability to generate revenues from this drug product will be severely affected.

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Because the target patient populations for some of our drug product candidates are small, we must achieve significant market share and obtain relatively high per-patient prices for our products to achieve meaningful profitability.

Our clinical development of RP103 targets diseases with small patient populations, including cystinosis and HD. A key component of the successful commercialization of a drug product for these indications includes identification of patients and a targeted prescriber base for the drug product. If we are successful in developing RP103 for certain diseases with a small patient population, such as cystinosis or HD, and in obtaining regulatory approval to market RP103 for such diseases, we will need to identify patients and market RP103 for these indications in the U.S. and Europe, at a minimum, to achieve significant market penetration. In addition, the per-patient prices at which we sell RP103 for these indications will need to be relatively high in order for us to generate an appropriate return for the investment in these product development programs and achieve meaningful profitability. There can be no assurance that we will be successful in identifying patients and/or obtaining high per-patient prices for our product candidates that target diseases with small patient populations.

Even if we obtain regulatory approval for our product candidates, we will be subject to ongoing regulatory obligations, oversight and continued regulatory review, which may result in significant additional expense.

If we receive approval for any of our products, such approvals could contain requirements for potentially costly post-marketing testing, including Phase 4 clinical trials and extraordinary requirements for surveillance to monitor the safety and efficacy of the drug product. Post-marketing studies and/or post-market surveillance may suggest that a product causes undesirable side effects which present an increased risk to the patient. If data we collect from post-marketing studies suggest that one of our approved products may present a risk to safety, the regulatory authorities could withdraw our product approval, suspend production or place other marketing restrictions on our products. If regulatory sanctions are applied or if regulatory approval is delayed or withdrawn, the value of our Company and our operating results will be adversely affected.

If we fail to obtain and maintain approval from regulatory authorities in international markets for RP103 and any future product candidates for which we have rights in international markets, our market opportunities will be limited and our business will be adversely impacted.

Sales of our product candidates outside of the U.S. will be subject to foreign regulatory requirements governing clinical trials, manufacturing and marketing approvals. Even if the FDA grants marketing approval for a product candidate, comparable regulatory authorities of foreign countries, including the EMA must also approve the manufacturing and marketing of our product candidates in those countries. Approval procedures vary among jurisdictions and can involve requirements and administrative review periods different from, and greater than, those in the U.S., including additional preclinical studies or clinical trials or manufacturing and control requirements. In many countries outside the U.S., a product candidate must be approved for reimbursement before it can be approved for sale in that country. In many cases, the price that we propose to charge for our products is also subject to approval by individual countries before we can launch our product candidates in those countries. Obtaining foreign regulatory approvals, complying with foreign regulatory requirements and gaining approved pricing and reimbursement could result in significant delays, difficulties and costs for us and could delay or prevent the introduction of our products in certain countries. Further, clinical trials conducted in one country may not be accepted by regulatory authorities in other countries and regulatory approval in one country does not ensure approval in any other country, while a failure or delay in obtaining regulatory approval in one country may have a negative effect on the regulatory approval process in others.

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Government health care reform could increase our costs, which could adversely affect our financial condition and results of operations.

Our industry is highly regulated and changes in law may adversely impact our business, operations or financial results. The Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Affordability Reconciliation Act of 2010, or the PPACA, is a sweeping measure intended to expand healthcare coverage within the U.S., primarily through the imposition of health insurance mandates on employers and individuals and expansion of the Medicaid program.

Several provisions of the new law, which have varying effective dates, may affect us, including our costs. For example, the PPACA increased the Medicaid rebate rate, revised the definition of "average manufacturer price" for reporting purposes, which could further increase the amount of the Medicaid drug rebates paid to states, and extended the rebate program to beneficiaries enrolled in Medicaid managed care organizations. The PPACA also expanded the 340B drug discount program (excluding orphan drugs), including the creation of new penalties for non-compliance and included a 50% discount on brand name drugs for Medicare Part D participants in the coverage gap, or "donut hole." The law also established an annual non-deductible fee on entities that sell branded prescription drugs or biologics to specified government programs in the U.S. The PPACA includes a provision to increase the Medicaid rebate for line extensions or reformulated drugs (NDA Type 3) priced higher than the original drug. Depending on the final regulations this could substantially increase our Medicaid rebate rate (in effect limiting reimbursement for these patients) if we participate in the Medicaid Rebate Program. Substantial new provisions affecting compliance also have been added, which may require us to modify our business practices with healthcare practitioners. Although the U.S. Supreme Court recently upheld most of the PPACA, it remains unclear whether there will be any changes made to certain provisions of PPACA through acts of Congress at some point in the future. In addition, other legislative changes have been proposed and adopted since the PPACA was enacted. In August 2011, the President signed into law the Budget Control Act of 2011, which may result in such changes as aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, starting in 2013. The full impact on our business of PPACA and the Budget Control Act is uncertain. We cannot predict whether other legislative changes will be adopted, if any, or how such changes would affect the pharmaceutical industry generally.

We are or may be subject to various healthcare regulations, and if we fail to comply with such regulations, we could face substantial penalties.

The laws that may affect our ability to operate include:

- the federal healthcare programs' Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under federal healthcare programs such as the Medicare and Medicaid programs;
- federal false claims laws which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent;
- federal criminal laws that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- the federal Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, which governs the conduct of certain electronic healthcare transactions and protects the security and privacy of protected health information;
- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers; and
- State reporting requirements detailing interactions with and payments to healthcare providers.

If our operations are found to be in violation of any of the laws described above or any other governmental laws and regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, the curtailment or restructuring of our operations, the exclusion from participation in federal and state healthcare programs and imprisonment, any of which could adversely affect our ability to market our products after receiving regulatory approval and adversely impact our financial results.

If we fail to demonstrate safety or efficacy in our preclinical studies or clinical trials or keep to the terms of a product development program, our future business prospects for these drug product candidates will be materially adversely affected.

The success of our development and commercialization efforts will be greatly dependent upon our ability to demonstrate drug product candidate efficacy in preclinical studies and clinical trials. Preclinical studies involve testing drug product candidates in appropriate multiple non-human disease models to demonstrate efficacy and safety. Regulatory agencies evaluate these data carefully before they will approve clinical testing in humans. If certain preclinical data reveals potential safety issues or the results are inconsistent with an expectation of the drug product candidate's efficacy in humans, the regulatory agencies may require additional more rigorous testing, before allowing human clinical trials. This additional testing will increase program expenses and extend timelines. We may decide to suspend further testing on our drug product candidates or technologies if, in the judgment of our management and advisors, the preclinical test results do not support further development.

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Following successful preclinical testing, drug product candidates will need to be tested in a clinical development program to provide data on safety and efficacy prior to becoming eligible for product approval and licensure by regulatory agencies. Success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful. The clinical trial process may fail to demonstrate with statistical significance that our drug product candidates are safe for humans and effective for indicated uses. This failure would cause us to abandon a drug product candidate and may delay development of other drug product candidates. Any delay in, or termination of, our preclinical testing or clinical trials will delay the filing of our investigational new drug application, or IND, and NDA as applicable, with the FDA and, ultimately, our ability to commercialize our drug product candidates and generate product revenues. In addition, some of our clinical trials will involve small patient populations. Because of the small sample size, the results of these early clinical trials may not be indicative of future results. The failure to demonstrate safety or efficacy in our clinical trials would have a material adverse effect on our future business prospects, financial condition and operating results.

We do not have a significant amount of manufacturing experience and expect to continue to rely on third-party manufacturers to produce drug products that adequately support our clinical trials and commercial sales of any approved products.

We do not currently manufacture our drug product candidates and do not currently plan to develop the capacity to do so. 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 to commercial requirements. These problems include difficulties with production costs and yields, quality control, including stability of the product candidate and quality assurance testing, shortages of qualified personnel, as well as compliance with strictly enforced federal, state and foreign regulations. Our third-party manufacturers and key suppliers may experience manufacturing difficulties due to resource constraints or as a result of labor disputes, severe weather events, unstable political environments at foreign facilities or financial difficulties. If these manufacturers or key suppliers were to encounter any of these difficulties, or otherwise fail to comply with their contractual obligations, our ability to timely launch any potential product candidate, if approved, would be jeopardized.

In addition, all manufacturers and suppliers of pharmaceutical products must comply with cGMP requirements enforced by the FDA, through its facilities inspection program. The FDA is likely to conduct inspections of our third party manufacturer and key supplier facilities as part of their review of our NDAs. If our third party manufacturers and key suppliers are not in compliance with cGMP requirements, it may result in a delay of approval, particularly if these sites are supplying single source ingredients required for the manufacture of any potential product. These cGMP requirements include quality control, quality assurance and the maintenance of records and documentation. Furthermore, regulatory qualifications of manufacturing facilities are applied on the basis of the specific facility being used to produce supplies. As a result, if one of the manufacturers that we rely on shifts production from one facility to another, the new facility must go through a complete regulatory qualification and be approved by regulatory authorities prior to being used for commercial supply. Our manufacturers may be unable to comply with these cGMP requirements and with other FDA, state, EMA and other foreign regulatory requirements. A failure to comply with these requirements may result in fines and civil penalties, suspension of production, suspension or delay in product approval, product seizure or recall, or withdrawal of product approval. If the safety of any quantities supplied is compromised due to our third party manufacturer's or key supplier's failure to adhere to applicable laws or for other reasons, we may not be able to obtain regulatory approval for or successfully commercialize our products.

In addition, we rely on one exclusive supplier for the active pharmaceutical ingredient, or API, for RP103. While we work closely with this supplier to ensure continuity of supply while maintaining high quality and reliability, we cannot guarantee that these efforts will be successful. A reduction or interruption in our supply of API from this supplier, and efforts to identity and qualify alternative sources of supply, could result in significant additional operating costs and delays in developing and commercializing RP103. In addition, supply arrangements from alternative sources may not

be available on acceptable economic terms, if at all.

Our success depends on our ability to manage our projected growth.

With the potential commercial launch of RP103 for the treatment of cystinosis, the continued progress of our clinical-stage programs and with our plan to in-license and acquire additional clinical-stage product candidates, we will be required to retain existing and add required new qualified and experienced personnel in the commercial, regulatory, manufacturing, quality, program management, clinical and medical areas over the next several years. Also, as our preclinical pipeline diversifies through internal discoveries, or the acquisition or in-licensing of new molecules, we will need to hire additional scientists to supplement our existing scientific expertise over the next several years.

Our staff, financial resources, systems, procedures or controls may be inadequate to support our expanding operations and our management may be unable to take advantage of future market opportunities or manage successfully our relationships with third parties if we are unable to adequately manage our anticipated growth and the integration of new personnel.

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We may not be successful in integrating our European operations with our U.S. operations.

In connection with the potential commercial launch of RP103 for the treatment of cystinosis, we have expanded our operations in Europe where we have added and expect to continue to add personnel. We may encounter difficulties successfully managing a substantially larger and internationally diverse organization and may encounter delays in drug development and commercialization if we are not successful in integrating our international operations. Challenges related to managing international operations include the following:

- the potential strain on our financial and managerial controls and reporting systems and procedures;
- potential miscommunication between U.S. personnel and European personnel due to cultural and language differences;
- ability to operate within diverse individual country regulatory and statutory laws; and
- greater than anticipated costs of maintaining EU presence, in-country legal entities and related tax structures.

Credit risks from customers outside the U.S. may negatively affect our results of operations.

Any future sales of our potential products to government supported customers in various countries outside of the U.S. may be subject to significant payment delays due to government funding and reimbursement practices, which will result in an increase in the length of time that we may have accounts receivable outstanding. For example, many governments in Europe are facing significant liquidity crises. If government reimbursement for future sales of our potential products is delayed or becomes unavailable, we may not be able to collect on amounts payable to us in reasonable time frames from such customers and our capital requirements will increase and our results of operations would be adversely affected.

Our reliance on third parties may result in delays in completing, or a failure to complete, preclinical testing, clinical trials, or regulatory marketing submissions if they fail to perform under our agreements with them.

In the course of product development, we may engage or collaborate with a variety of external organizations to perform services essential to drug product development. The organizations which perform services can include, but are not limited to:

- governmental agencies, U.S. and international university laboratories;
- other biotechnology companies;
- contract manufacturing organizations;
- clinical research organizations;
- distribution and supply (logistics) service organizations;
- testing organizations;
- consultants or consulting organizations with specialized knowledge based expertise;
- intellectual property legal firms; and
- multiple other service organizations.

If we engage these organizations to help us with our product development programs, many important aspects of this process have been and will be out of our direct control. If any of these organizations we engage in the future fail to perform their obligations under our agreements with them or fail to perform in a satisfactory manner, we may face delays in completing our development and commercialization processes for any of our drug product candidates. Furthermore, any loss or delay in obtaining contracts with such entities may also delay the completion of our clinical trials, regulatory filings and the potential market approval of our drug product candidates.

Specifically, we have and will continue to rely on third parties, such as contract research organizations and/or co-operative groups, to assist us in overseeing and monitoring clinical trials as well as to process the clinical results.

If third parties fail to perform or to meet the applicable standards, this will result in delays in or failures to complete trials. A failure by us or such third parties to keep to the terms of a product development program for any particular product candidate or to complete the clinical trials for a product candidate in the anticipated time frame could have significant negative repercussions on our business and financial condition.

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Our dependence on collaborative arrangements with other independent parties will subject us to a number of risks that could harm our ability to develop and commercialize products:

- collaborative arrangements might not be available on terms which are reasonably favorable to us;
- disagreements with partners may result in delays in the development and marketing of products, termination of collaboration agreements or time consuming and expensive legal action;
- outside of agreement terms (which may be different or costly to enforce, if enforceable), we cannot control the amount and timing of resources partners devote to product candidates or their prioritization of product candidates, and partners may not allocate sufficient funds or resources to the development, promotion or marketing of our product candidates, or may not perform their obligations as expected;
- partners may choose to develop, independently or with other companies, alternative products or treatments, including products or treatments which compete with ours;
- agreements with partners may expire or be terminated without renewal, or partners may breach collaboration agreements with us;
- business combinations or significant changes in a partner's business strategy might adversely affect that partner's willingness or ability to complete their obligations to us; and
- the terms and conditions of the relevant agreements may no longer be suitable.

We cannot guarantee that we will be able to negotiate acceptable future collaboration agreements or that those currently in existence will make it possible for us to fulfill our objectives.

Our business could be adversely affected by macroeconomic conditions.

Various macroeconomic factors could adversely affect our business and the results of our operations and financial condition, including changes in inflation, interest rates, foreign currency exchange rates and overall economic conditions and uncertainties, including those resulting from the current and future conditions in the global financial markets and business and economic conditions particularly in the developed world. For instance, if inflation or other factors were to significantly increase our business costs, it may not be feasible to pass through price increases on to our future customers due to the process by which healthcare providers are reimbursed for our future products by the government.

The U.S. credit and capital markets have recently experienced historic dislocations and a massive liquidity crisis which have caused financing to be unavailable in many cases and, even if available, have caused the cost of prospective financings to significantly increase. These circumstances have materially impacted liquidity in the debt and capital markets, making financing terms for borrowers or for companies seeking equity capital, for those companies that are able to find financing at all, less attractive. In many cases, financial conditions have resulted in the reduced availability or the unavailability of certain types of debt or equity financing. Continued uncertainty in the debt and equity markets may negatively impact our ability to access financing on favorable terms or at all. Federal legislation to deal with the current disruptions in the financial markets could have an adverse effect on our ability to raise other types of financing. In addition, our suppliers, manufacturers and other third parties important to our business also may be negatively impacted by market dislocations and disruptions, their business may be disrupted and this could adversely affect our business and results of operations.

If we do not obtain the support of new, and maintain the support of existing, key scientific and medical collaborators, it may be difficult to develop current and new products and establish those products as a standard of care for various indications.

We will need to establish relationships with additional leading scientists and research institutions. We believe that such relationships are pivotal to establishing products using our technologies as a standard of care for various

indications. Although we have established a Medical and Scientific Advisory Board and research collaborations, there is no assurance that our Advisory Board members and our research collaborators will continue to work with us or that we will be able to attract additional research partners. If we are not able to maintain existing or establish new scientific relationships to assist in our research and development, we may not be able to successfully develop our drug product candidates.

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If we fail to obtain or maintain orphan drug exclusivity or regulatory exclusivity for some of our drug product candidates, our competitors may sell products to treat the same conditions and our revenues will be reduced.

As part of our business strategy, we intend to develop some drugs that may be eligible for FDA and EMA orphan drug designation. Under the Orphan Drug Act, the FDA may designate a product as an orphan drug if it is a drug intended to treat a rare disease or condition, defined as a patient population of less than 200,000 in the U.S. The company that first obtains FDA approval for a designated orphan drug for a given rare disease receives marketing exclusivity for use of that drug for the stated condition for a period of seven years (with an additional half year if for a pediatric indication). Orphan drug exclusive marketing rights may be lost if the FDA later determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantity of the drug. Similar regulations are available from the EMA with a 10-year period of market exclusivity.

Because the extent and scope of patent protection for some of our drug products is particularly limited, orphan drug designation is especially important for our products that are eligible for orphan drug designation. For eligible drugs, we plan to rely on the exclusivity period under Orphan Drug Act designation to maintain a competitive position. If we do not obtain orphan drug exclusivity for our enteric formulation of RP103, under the Hatch-Waxman Act, this formulation of RP103 is eligible for a 3-year regulatory exclusivity period as a reformulated version of a previously approved drug substance for which clinical studies that are essential for approval have been conducted. However, if we do not obtain orphan drug exclusivity for our drug products that do not have patent protection, our competitors may then sell the same drug to treat the same condition and our revenues will be reduced.

Even though we have been granted orphan drug designation for RP103 for the potential treatment of cystinosis and RP103 for the potential treatment of HD, and even if we obtain orphan drug designation for our future drug product candidates, due to the uncertainties associated with developing pharmaceutical products, we may not be the first to obtain marketing approval for any orphan indication. Further, even if we obtain orphan drug exclusivity for a product, that exclusivity may not effectively protect the product from competition because different drugs can be approved for the same condition. Even after an orphan drug is approved, the FDA can subsequently approve the same drug for the same condition if the FDA concludes that the later drug is safer, more effective or makes a major contribution to patient care. Orphan drug designation neither shortens the development time or regulatory review time of a drug, nor gives the drug any advantage in the regulatory review or approval process.

The priority review for our drug product candidates, if obtained, may not actually lead to a faster review process.

In the future, we may request six month priority review from the FDA and EMA for RP103 for HD and our other drug product candidates; however, the FDA and EMA may not grant it. Without priority review, the FDA and EMA review timeline could be at least 10 to 12 months. Under the FDA policies, a drug candidate is eligible for priority review from the time a complete NDA is accepted for filing, if the drug candidate provides a significant improvement compared to marketed drugs in the treatment, diagnosis or prevention of a disease. A lengthier review process will delay revenue from the sale of products and will increase the capital necessary to fund these product development programs.

Any product revenues could be reduced by imports from countries where our product candidates are available at lower prices.

Even if we obtain FDA approval to market our potential products in the U.S., our sales in the U.S. may be reduced if our products are imported into the U.S. from lower priced markets, whether legally or illegally. In the U.S., prices for pharmaceuticals are generally higher than in the bordering nations of Canada and Mexico. There have been proposals to legalize the import of pharmaceuticals from outside the U.S. If such legislation were enacted, our potential future revenues could be reduced.

Our future international sales and operating expenses will be subject to fluctuations in currency exchange rates.

If RP103 is approved by the EMA and other regulatory authorities outside the U.S. and we sell RP103 in such jurisdictions, a portion of our business will be conducted in currencies other than our reporting currency, the U.S. dollar. We will recognize foreign currency gains or losses arising from our operations in the period in which we incur those gains or losses. As a result, currency fluctuations between the U.S. dollar and the currencies in which we do business will likely cause foreign currency translation gains and losses in the future. Because of the number of currencies that may be involved, the variability of currency exposures and the potential volatility of currency exchange rates, we may suffer significant foreign currency translation and transaction losses in the future due to the effect of exchange rate fluctuations.

The use of any of our drug product candidates in clinical trials or the commercialization of our drug products in the future may expose us to liability claims.

The nature of our business exposes us to potential liability risks inherent in the testing (including through human trials), manufacturing and marketing of our drug product candidates. While we are in clinical stage testing, our drug product candidates could potentially harm people or allegedly harm people and we may be subject to costly and damaging product liability claims. Many of the patients who participate in our current clinical trials are already critically ill or suffering from chronic debilitating diseases when they enter a trial. The waivers we obtain may not be enforceable and may not protect us from liability or the costs of product liability litigation. Although we currently carry clinical product liability insurance, it may not be sufficient to cover future claims.

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In addition, the product liability insurance that we will need to obtain in connection with the commercial sales of our product candidates, if and when they receive regulatory approval, may not be sufficient or available in meaningful amounts or at a reasonable cost. Furthermore, we may not be able to avoid significant liability if any product liability claim is brought against us. If a successful product liability claim is brought against us and the amount of liability exceeds our insurance coverage, we may incur substantial charges that would adversely affect our business, financial condition and results of operation. We currently do not have any clinical or product liability claims or threats of claims filed against us.

Our future success depends, in part, on the continued services of our management team.

Our success is dependent in part upon the availability of our senior executive officers, including Christopher M. Starr, Ph.D., chief executive officer; Julie Anne Smith, chief operating officer; Georgia Erbez, chief financial officer; Ted Daley, chief business officer and Patrice Rioux, M.D., Ph.D., chief medical officer. The loss or unavailability to us of any of these individuals or key research and development personnel, and particularly if lost to competitors, could have a material adverse effect on our business, prospects, financial condition, and operating results. We have no key-man insurance on any of our employees.

There is intense competition for qualified scientists and managerial personnel from numerous pharmaceutical and biotechnology companies, as well as from academic and government organizations, research institutions and other entities. In addition, we will rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development strategy. All of our consultants and advisors will be employed by other employers or be self-employed, and will have commitments to or consulting or advisory contracts with other entities that may limit their availability to us. There is no assurance that we will be able to retain key employees and/or consultants. If key employees terminate their employment, or if insufficient numbers of qualified employees are retained, or are not available via recruitment, to maintain effective operations, our development activities might be adversely affected, management's attention might be diverted from managing our operations to hiring suitable replacements and our business might suffer. In addition, we might not be able to locate suitable replacements for any key employees that terminate their employment with us and we may not be able to offer employment to potential replacements on reasonable terms, which could negatively impact our product candidate development timelines and may adversely affect our future revenues and financial condition.

If we do not achieve our projected development and commercialization goals in the time frames we expect and announce, the credibility of our management and our organizational competence may be adversely affected.

For planning purposes, we estimate the timing of the accomplishment of various scientific, clinical, regulatory, market launch and commercialization goals, which we sometimes refer to as milestones. These milestones may include the commencement or completion of scientific studies and clinical trials, the submission of regulatory filings and product launch.

From time to time, we may publicly announce the estimated timing of some of these milestones. All of these milestones will be based on a variety of assumptions. The actual timing of these milestones can vary dramatically compared to our estimates, in many cases for reasons beyond our control. For example, clinical trials may be delayed due to factors such as IRB approvals, qualification of clinical sites, scheduling conflicts with participating clinicians and clinical institutions and the rate of patient enrollment. In most circumstances, we rely on academic institutions, major medical institutions, governmental research organizations (U.S. or internationally based), clinical research organizations or contract manufacturing organizations to conduct, supervise or monitor some or all aspects of clinical trials involving our product candidates. We will have limited control over the timing and other aspects of these clinical trials.

If we do not meet the milestones as publicly announced (or as projected by various security analysts who follow our Company), our stockholders or potential stockholders may lose confidence in our ability to meet overall product development and commercialization goals and, as a result, the price of our common stock may decline.

We will incur increased costs as a result of recently enacted and proposed changes in laws and regulations and our management will be required to devote substantial time to comply with such laws and regulations.

We face burdens relating to the recent trend toward stricter corporate governance and financial reporting standards. Legislation or regulations such as the Sunshine Act, Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as other rules implemented by the FDA, the SEC and NASDAQ, follow the trend of imposing stricter corporate governance and financial reporting standards have led to an increase in the costs of compliance for companies similar to us, including substantial increases in consulting, auditing and legal fees. New rules could make it more difficult or more costly for us to obtain certain types of insurance, including directors' and officers' liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers. Failure to comply with these new laws and regulations may impact market perception of our financial condition and could materially harm our business. Additionally, it is unclear what additional laws or regulations may develop, and we cannot predict the ultimate impact of any future changes in law. Our management and other personnel will need to devote a substantial amount of time to these requirements.

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In addition, the Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluation and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our compliance with Section 404 will require that we incur substantial accounting and related expense and expend significant management efforts. In the future, we may need to hire additional accounting and financial staff to satisfy the ongoing requirements of Section 404. Moreover, if we are not able to comply with the requirements of Section 404, or we or our independent registered public accounting firm identifies deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by NASDAQ, the SEC or other regulatory authorities.

Our executive offices and laboratory facility are located near known earthquake fault zones, and the occurrence of an earthquake or other catastrophic disaster could cause damage to our facility and equipment, or that of our third-party manufacturers or single-source suppliers, which could materially impair our ability to continue our product development programs.

Our executive offices and laboratory facility are located in the San Francisco Bay Area near known earthquake fault zones and are vulnerable to significant damage from earthquakes. We and the contract manufacturers and our single-source suppliers of raw materials and critical services are also vulnerable to damage from other types of disasters, including fires, storms, floods, power losses and similar events. If such a disaster were to occur, our ability to continue our product development programs or product commercialization activities could be seriously, or potentially completely, impaired. The insurance we maintain may not be adequate to cover our losses resulting from disasters or other business interruptions.

Our loan agreement with HC Royalty contains a number of restrictive covenants and other provisions, which, if violated, could result in the acceleration of our outstanding indebtedness, which could have an adverse impact on our business and financial condition.

In December 2012, we entered into a loan agreement with HealthCare Royalty Partners, or HC Royalty, as lender, under which we agreed to borrow $50 million in two $25 million tranches, or the HC Royalty Loan, and we have drawn the first tranche in the amount of $25 million. Our loan agreement with HC Royalty includes a variety of affirmative and negative covenants, including the use of commercially reasonable efforts to exploit RP103 in specific markets and compliance with laws, as well as restrictions on mergers and sales of assets, incurrence of liens, incurrence of indebtedness and transactions with affiliates and other requirements. To secure the performance of our obligations under the HC Royalty Loan, we granted a security interest to HC Royalty in substantially all of our assets, the assets of our subsidiaries and a pledge of stock of certain of our subsidiaries. Our failure to comply with the terms of the HC Royalty Loan agreement and related documents, the occurrence of a change of control of our Company or the occurrence of an uncured material adverse effect on our Company, or Raptor Pharmaceuticals, or the occurrence of certain other specified events, could result in an event of default under the HC Royalty Loan agreement that, if not cured or waived, could result in the acceleration of the payment of all of our indebtedness to HC Royalty and interest thereon. Under the terms of the security agreement, in an event of default, the lender could potentially take possession of, foreclose on, sell, assign or grant a license to use, our pledged collateral and assign and transfer the pledged stock of certain of our subsidiaries. Further, HC Royalty may terminate its commitment to fund the second $25 million tranche upon the occurrence of any such event prior to the funding of such tranche.

Risks Related to Intellectual Property and Competition

If we are unable to protect our proprietary technology, we may not be able to compete as effectively and our business and financial prospects may be harmed.

Where possible, we seek patent protection for certain aspects of our technology. Patent protection may not be available for some of the drug product candidates we are developing. If we must spend extraordinary time and money protecting our patents, designing around patents held by others or licensing, potentially for large fees, patents or other proprietary rights held by others, our business and financial prospects may be harmed.

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The patent positions of biopharmaceutical products are complex and uncertain.

We own or license issued U.S. and foreign patents and pending U.S. and foreign patent applications related to certain of our drug product candidates. However, these patents and patent applications do not ensure the protection of our intellectual property for a number of reasons, including the following:

- We do not know whether our patent applications will result in issued patents. For example, we may not have developed a method for treating a disease before others developed similar methods;
- Competitors may interfere with our patent process in a variety of ways. Competitors may claim that they invented the claimed invention prior to us, or file patent applications before we do. Competitors may also claim that we are infringing on their patents and therefore cannot practice our technology as claimed under our patents, if issued.
- Competitors may also contest our patents, if issued, by showing the patent examiner that the invention was not original, was not novel or was obvious. In litigation, a competitor could claim that our patents, if issued, are not valid for a number of reasons. If a court agrees, we would lose that patent. As a company, we have no meaningful experience with competitors interfering with our patents or patent applications;
- Enforcing patents is expensive and may absorb significant management time. Management would spend less time and resources on developing drug product candidates. The processes of defending patents and related intellectual property could increase our operating expenses and delay product programs; and
- Receipt of a patent may not provide much practical protection. If we receive a patent with a narrow scope, then it will be easier for competitors to design products that do not infringe on our patent.

In addition, competitors also seek patent protection for their technology. Due to the number of patents in our field of technology, we cannot be certain that we do not infringe on those patents or that we will not infringe on patents granted in the future. If a patent holder believes our drug product candidate infringes on its patent, the patent holder may sue us even if we have received patent protection for our technology. If someone else claims we infringe on their technology, we would face a number of issues, including the following:

- Defending a lawsuit takes significant time is typically very expensive;
- If a court decides that our drug product candidate infringes on the competitor's patent, we may have to pay substantial damages for past infringement;
- A court may prohibit us from selling or licensing the drug product candidate unless the patent holder licenses the patent to us. The patent holder is not required to grant us a license. If a license is available, we may have to pay substantial royalties or grant cross licenses to our patents; and
- Redesigning our drug product candidates so we do not infringe may not be possible or practical and could require substantial funds and time.

It is also unclear whether our trade secrets are adequately protected. While we use reasonable efforts to protect our trade secrets, our employees or consultants may unintentionally or willfully disclose our information to competitors. Enforcing a claim that someone else illegally obtained and is using our trade secrets, like patent litigation, is expensive and time consuming, and the outcome is unpredictable. In addition, courts outside the U.S. are sometimes less willing to protect trade secrets. Our competitors may independently develop equivalent knowledge, methods and know-how. We may also support and collaborate in research conducted by government organizations, hospitals, universities or other educational institutions. These research partners may be unwilling to grant us any exclusive rights to technology or products derived from these collaborations prior to entering into the relationship. If we do not obtain required licenses or rights, we could encounter delays in our product development efforts while we attempt to design around other patents or even be prohibited from developing, manufacturing or selling drug product candidates requiring these licenses. There is also a risk that disputes may arise as to the rights to technology or drug product candidates developed in collaboration with other parties.

If we are limited in our ability to utilize acquired or licensed technologies, we may be unable to develop, out-license, market and sell our product candidates, which could prevent new product introductions and/or cause delayed new product introductions.

We have acquired and licensed certain proprietary technologies, discussed in the following risk factors, and plan to further license and acquire various patents and proprietary technologies owned by other parties. The agreements in place are critical to our product development programs. These agreements may be terminated, and all rights to the technologies and product candidates will be lost, if we fail to perform our obligations under these agreements and licenses in accordance with their terms including, but not limited to, our ability to fund all payments due under such agreements. Our inability to continue to maintain these technologies could materially adversely affect our business, prospects, financial condition and operating results. In addition, our business strategy depends on the successful development of licensed and acquired technologies into commercial products, and, therefore, any limitations on our ability to utilize these technologies may impair our ability to develop, out-license, or market and sell our product candidates, delay new product introductions, and/or adversely affect our reputation, any of which could have a material adverse effect on our business, prospects, financial condition, and operating results.

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If the purchase or licensing agreements we entered into are terminated, we will lose the right to use or exploit our owned and licensed technologies.

We entered into a licensing agreement with UCSD for RP103 and a licensing agreement with Yeda Research and Development Company Limited, or Yeda, for patents originating from Weizmann Institute of Technology and Niigata University, related to use of transglutaminase inhibitors to treat neurological diseases.

UCSD and Yeda may terminate their respective agreements with us upon the occurrence of certain events, including if we enter into certain bankruptcy proceedings or if we materially breach our payment obligations and fail to remedy the breach within the permitted cure periods. Although we are not currently involved in any bankruptcy proceedings or in breach of these agreements, there is a risk that we may be in the future, giving UCSD and Yeda the right to terminate their respective agreements with us. We have the right to terminate these agreements at any time by giving prior written notice. If the UCSD or Yeda agreements are terminated by either party, we would lose our rights to RP103 in the case of UCSD and would lose our rights to the Weizmann and Niigata patents in the case of Yeda. Under such circumstances, we would have no further right to use or exploit the patents, copyrights or trademarks in those respective technologies. If this happens, we will have to delay or terminate some or all of our research and development programs, our financial condition and operating results will be adversely affected, and we may have to cease our operations.

Companies and universities, including those that have licensed product candidates to us for research, clinical development and marketing, are sophisticated competitors that could develop similar products to compete with our products which could reduce our future revenues.

Licensing our product candidates from other companies, universities or individuals does not always prevent them from developing non-identical but competitive products for their own commercial or research purposes, or from pursuing patent protection in areas that are competitive with us. While we seek patent protection for all of our owned and licensed product candidates, our licensors or assignors or other research organizations who created these product candidates are experienced scientists and business people who may continue to do research and development and seek patent protection in the same areas that led to the discovery of the product candidates that are licensed or assigned to us. By virtue of the previous research that led to the discovery of the drugs or product candidates that they licensed or assigned to us, these companies, universities, or individuals may be able to develop and out-license or market competitive products in less time than might be required to develop a product with which they have no prior experience and may reduce our future revenues from such product candidates. In some instances, information published in the scientific literature can provide insights which could enable development of viable competitive product candidates on an accelerated time frame.

If our competitors succeed in developing products and technologies that are more effective than our own, or if scientific developments change our understanding of the potential scope and utility of our drug product candidates, then our technologies and future drug product candidates may be rendered less competitive.

We face significant competition from industry participants that are pursuing similar technologies that we are pursuing and are developing pharmaceutical products that are competitive with our drug product candidates. All of our large pharmaceutical competitors have greater capital resources, larger overall research and development staffs and facilities, and a longer history in drug discovery, development, regulatory approval, manufacturing and marketing than we do. With these additional resources and experience, our competitors may be able to respond to rapid and significant technological changes in the biotechnology and pharmaceutical industries faster than we can.

We expect that the technologies associated with biotechnology research and development will continue to develop rapidly. Our future success will depend in large part on our ability to maintain a competitive position with respect to these technologies. Rapid technological development, as well as new scientific developments, may result in our

compounds, drug product candidates or processes becoming obsolete before we can recover any or all of the expenses incurred to develop them. For example, changes in our understanding of the appropriate population of patients who should be treated with a targeted therapy like we are developing may limit the drug's market potential if it is subsequently demonstrated that only certain subsets of patients should be treated with the targeted therapy.

If our agreements with employees, consultants, advisors and corporate partners fail to protect our intellectual property, proprietary information or trade secrets, it could have a significant adverse effect on us.

We have taken steps to protect our intellectual property and proprietary technology, by entering into confidentiality agreements and intellectual property assignment agreements with our employees, consultants, advisors and corporate and educational institution partners. Such agreements may not be enforceable or may not provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements, and we may not be able to prevent such unauthorized disclosure. Monitoring unauthorized disclosure is difficult, and we do not know whether the steps we have taken to prevent such disclosure are, or will be, adequate. Furthermore, the laws of some foreign countries may not protect our intellectual property rights to the same extent as do the laws of the U.S.

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Risks Related to Our Financial Position and Capital Requirements

Our product development and commercialization programs will require substantial future funding which will impact our operational and financial condition.

Excluding RP103 for the potential treatment of cystinosis, it will take several years before we are able to develop our other drug product candidates into marketable drug products, if at all. The marketing and sales effort of our products, our ability to gain adequate reimbursement, if approved for sale, and our product development programs will require substantial additional capital to successfully complete them, arising from costs to:

- conduct research, preclinical testing and human studies and clinical trials;
- establish or contract for pilot scale and commercial scale manufacturing processes and facilities;
- market and distribute our products; and
- establish and develop quality control, manufacturing, regulatory, medical, distribution, marketing, sales, finance and administrative capabilities to support these programs.

Our future operating and capital needs will depend on many factors, including:

- the effectiveness of our commercialization activities;
- the scope and results of preclinical testing and human clinical trials;
- the pace of scientific progress in our research and development programs and the magnitude of these programs;
- our ability to obtain, and the time and costs involved in obtaining regulatory approvals;
- the cost of manufacturing scale-up for new product candidates;
- our ability to prosecute, maintain, and enforce, and the time and costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims;
- competing technological and market developments;
- our ability to establish additional collaborations; and
- changes in our existing collaborations.

We base our outlook regarding the need for funds on many uncertain variables. Such uncertainties include the success of our efforts to commercialize our products, if approved, the success of our research initiatives, regulatory approvals, the timing of events outside our direct control such as negotiations with healthcare payors, potential strategic partners and other factors. In additional, certain product programs may require collaborative agreements with corporate partners with substantial assets and organizations to help with the very substantial funds required and the complex organizational resources required. Such agreements may require substantial time to complete and may not be available in the time frame desired, with acceptable financial terms, if at all. Any of these uncertain events can significantly change our cash requirements as they determine such one-time events as the receipt or payment of major milestones and other payments.

Significant additional funds from outside financing sources will be required to support our operations and if we are unable to obtain them on acceptable terms, we may be required to cease or reduce further development or commercialization of our drug product programs, to sell some or all of our technology or assets, to merge with another entity or to cease operations.

If we fail to obtain the capital necessary to fund our operations, our operational and financial results will be adversely affected.

As of December 31, 2012, we had an accumulated deficit of $135.9 million. We expect to continue to incur losses for the foreseeable future and will have to raise substantial cash to fund our planned operations. Our recurring losses from operations to date raise substantial doubt about our ability to continue as a going concern and, as a result, our

independent registered public accounting firm included an explanatory paragraph in its report on our consolidated financial statements for the four month period ended December 31, 2012, with respect to this uncertainty. We will need to raise additional capital and/or generate significant revenue at profitable levels to continue to operate as a going concern. In addition, the perception that we may not be able to continue as a going concern may cause others to choose not to deal with us due to concerns about our ability to meet our contractual obligations and may adversely affect our ability to raise additional capital.

We believe our cash, cash equivalents and short-term investments as of December 31, 2012 of $58.4 million, including $23.4 million we received with respect to the first tranche amount drawn down under our HC Royalty Loan in December 2012 will be sufficient to meet our projected operational requirements and obligations into the fourth quarter of calendar 2013.

In addition, under the HC Royalty Loan, HC Royalty has agreed to lend us $25 million in a second tranche, provided that we have received FDA approval for RP103 for the treatment of cystinosis and other funding conditions are satisfied. There can be no assurance that we will receive such FDA approval or that such other conditions will be satisfied and, accordingly, there can be no assurance that we will be able to draw on the second $25 million tranche under the HC Royalty Loan.

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In the future, we may need to sell equity or debt securities to raise additional funds to support, among other things, our development and commercialization programs. The sale of additional equity securities or convertible debt securities will result in additional dilution to our stockholders. Additional financing may not be available in amounts or on terms satisfactory to us or at all. We may be unable to raise additional capital due to a variety of factors, including our financial condition, the status of our research and development programs, the status of regulatory reviews for marketing approvals, the status of our commercialization activities, the execution of our potential launch of RP103 for cystinosis and the general condition of the financial markets. If we fail to raise additional financing when needed, we may have to delay or terminate some or all of our research and development programs, scale back our operations and/or reduce our pre-launch/launch expenses for RP103. If such actions are required, our financial condition and operating results will be adversely affected and our current value and potential future value may be significantly reduced.

Our cash flows and capital resources may be insufficient to make required payments on our indebtedness.

The required payments of principal and interest on our indebtedness under the HC Royalty Loan may require a substantial portion, or all, of our available cash to be dedicated to the service of these debt obligations. The loan bears interest at an annual fixed rate of 10.75% and a variable rate based on the amount of included product payments in a calendar year, and such interest is payable quarterly. Included product payments are the net revenues of our Company and our subsidiaries from existing and future products. Principal payments under the HC Royalty Loan will become due beginning on the ninth quarterly payment date occurring after the date the second $25 million tranche is funded (if at all) and, in the case of the first tranche loan, in no event later than March 31, 2017.

There is no assurance that our business will generate sufficient cash flow or that we will have capital resources in an amount sufficient to enable us to pay our indebtedness to HC Royalty. If our cash flows and capital resources are insufficient to fund these debt service obligations, we may be forced to reduce or delay product development, sales and marketing, and capital and other expenditures and we may be forced to restructure our indebtedness or raise additional capital through the issuance of equity or debt instruments. We cannot ensure that we will be able to refinance any of our indebtedness or raise additional capital on a timely basis, on satisfactory terms or at all. In addition, the terms of the HC Royalty Loan may limit our ability to pursue any of these alternatives and these alternative measures may not be successful and may not enable us to meet our scheduled debt service obligations. Failure to meet our debt service obligations may result in an event of default under the HC Royalty Loan, which would permit the lender to accelerate the payment of all of our indebtedness to HC Royalty and interest thereon, take possession of, foreclose on, sell, assign or grant a license to use, our pledged collateral and assign and transfer the pledged stock of our subsidiaries. This could have a material adverse impact on our financial condition and results of operations.

Risks Related to Our Common Stock

There are a substantial number of shares of our common stock eligible for future sale in the public market, and the issuance or sale of equity, convertible or exchangeable securities in the market, or the perception of such future sales or issuances, could lead to a decline in the trading price of our common stock.

Any issuance of equity, convertible or exchangeable securities, including for the purposes of financing acquisitions and the expansion of our business, will have a dilutive effect on our existing stockholders. In addition, the perceived market risk associated with the possible issuance of a large number of shares of our common stock or securities convertible or exchangeable into a large number of shares of our common stock could cause some of our stockholders to sell their common stock, thus causing the trading price of our common stock to decline. Subsequent sales of our common stock in the open market or the private placement of our common stock or securities convertible or exchangeable into our common stock could also have an adverse effect on the trading price of our common stock. If our common stock price declines, it will be more difficult for us to raise additional capital or we may be unable to

raise additional capital at all.

As of December 31, 2012, there were (i) outstanding warrants to purchase 4,562,772 shares of our common stock at a weighted-average exercise price of $3.03 per share, (ii) outstanding options to purchase 7,641,585 shares of our common stock outstanding under our 2010 and 2006 Raptor stock option plans at a weighted-average exercise price of $4.42 (of which 44% was vested), (iii) options to purchase 149,209 shares of our common stock outstanding under our TorreyPines Therapeutics stock option plans at a weighted-average exercise price of $75.83 and (iv) 1,947,420 shares of our common stock available for future stock option grants to be issued under our 2010 Raptor stock option plan and would be available for exercise when vesting conditions in the grants are satisfied. The shares issuable upon exercise of stock options granted under our stock option plans will be available for immediate resale in the public market. The shares issuable upon the exercise of our warrants will be available for immediate resale in the public market. The market price of our common stock could decline as a result of such exercises due to the increased number of shares available for sale in the market.

Our named executive officers and our board of directors own, in the aggregate, 925,247 shares, and approximately 2.3 million vested stock options representing approximately 6% beneficial ownership of our outstanding common stock as of December 31, 2012. Sales of a substantial number of shares of our common stock by such officers and directors in the public trading market, whether in a single transaction or a series of transactions, or the perception that these sales may occur, could also have a significant effect the trading price of our common stock.

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In addition, we have an at-the-market sales agreement with Cowen and Company which, as of December 31, 2012, allows us to sell up to an additional $26.2 million worth of stock, which, if utilized further, will create substantial dilution for our existing stockholders.

In connection with other collaborations, joint ventures, license agreements or future financings that we may enter into in the future, we may issue additional shares of common stock or other equity securities, and the value of the securities issued may be substantial and create additional dilution to our existing and future common stockholders.

Because we do not intend to pay any cash dividends on our common stock, investors will benefit from an investment in our common stock only if it appreciates in value. Investors seeking dividend income should not purchase shares of our common stock.

We have not declared or paid any cash dividends on our common stock since our inception. We anticipate that we will retain our future earnings, if any, to support our operations and to finance the growth and development of our business and do not expect to pay cash dividends in the foreseeable future. As a result, the success of an investment in our common stock will depend upon any future appreciation in the value of our common stock. There is no guarantee that our common stock will appreciate in value or even maintain its current price. Investors seeking dividend income should not invest in our common stock.

Our stock price is volatile, which could result in substantial losses over short periods of time for our stockholders. The trading volume in our common stock may be relatively small.

Our common stock is quoted on the NASDAQ Global Market. The trading price of our common stock has been and may continue to be volatile. Our operating performance, both financial and in the development of approved products, does and will continue to significantly affect the market price of our common stock. We face a number of risks including those described herein, which may negatively impact the price of our common stock. Some of the factors that may cause the market price of our common stock to fluctuate include:

- the results and timing of regulatory reviews relating to the approval of our drug candidates;
- failure of any of our drug candidates, if approved, to achieve commercial success and, in particular, the rate of market penetration and sales growth in the launch period;
- the results of our current and any future clinical trials of our current drug candidates;
- issues in manufacturing our drug candidates or any approved products;
- the entry into, or termination of, key agreements, including key strategic alliance agreements;
- failure to meet security analysts' and investors' expectations;
- the results of ongoing preclinical studies and planned early stage clinical trials of our preclinical drug candidates;
- the initiation of, material developments in, or conclusion of litigation to enforce or defend any of our intellectual property rights;
- general and industry-specific economic conditions that may affect our product program expenditures;
- the results of clinical trials conducted by others on drugs that would compete with our drug candidates;
- the loss of key employees;
- the introduction by others of technological innovations or new commercial products or development of product programs which have a direct negative competitive impact on our products or product development programs;
- changes in estimates or recommendations by securities analysts, if any, who cover our common stock or influence the level of investor confidence in our sector of the equity market;
- future sales of our common stock or exercise of common stock warrants or options;
- changes in the structure of health care payment systems; and
- period-to-period fluctuations in our financial results.

The market price of our common stock also may be adversely impacted by broad market and industry fluctuations including general economic and technology trends, regardless of our operating performance. The NASDAQ Global Market has, from time to time, experienced extreme price and trading volume fluctuations, and the market prices of biopharmaceutical development stage companies such as ours have been extremely volatile. Market prices for securities of pre-commercial pharmaceutical, biotechnology and other life sciences companies have historically been particularly volatile and trading volume in such securities has often been relatively small. Moreover, the stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of individual companies. The stock market also has periods during which industry segments, such as biotechnology, are in volatile swings of greater or lesser favor as investments. These swings in the investment in a sector (periods of net sales or purchases of equity securities) will directly affect the stock prices of many companies in the sector and, in particular, those companies that do not have conventional measures of financial and business health such as sales, earnings, growth rates, profitability and other measures.

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These broad market fluctuations during which our stage of company and our industry is not in favor in the markets or equity investments are relatively less favorable, will adversely affect the trading price of our common stock. In the past, following periods of volatility in the market resulting in substantial price declines of a company's securities, stockholders have often instituted class action securities litigation against those companies. Such litigation can result in substantial costs and diversion of management attention and resources, which could significantly harm our profitability and reputation.

We can issue shares of preferred stock that may adversely affect the rights of a stockholder of our common stock.

Our certificate of incorporation authorizes us to issue up to 15,000,000 shares of preferred stock with designations, rights and preferences determined from time-to-time by our board of directors. Accordingly, our board of directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights superior to those of stockholders of our common stock.

Anti-takeover provisions under Delaware law, in our stockholder rights plan and in our certificate of incorporation and bylaws may prevent or complicate attempts by stockholders to change the board of directors or current management and could make a third-party acquisition of us difficult.

We are incorporated in Delaware. Certain anti-takeover provisions of Delaware law as currently in effect may make a change in control of our Company more difficult, even if a change in control may be beneficial to the stockholders. Our board of directors has the authority to issue up to 15,000,000 shares of preferred stock, none of which are issued or outstanding. The rights of holders of our common stock are subject to the rights of the holders of any preferred stock that may be issued. The issuance of preferred stock could make it more difficult for a third-party to acquire a majority of our outstanding voting stock. Our charter contains provisions that may enable our management to resist an unwelcome takeover attempt by a third party, including: a prohibition on actions by written consent of our stockholders; the fact that stockholder meetings must be called by our board of directors; and provisions requiring stockholders to provide advance notice of proposals. Delaware law also prohibits corporations from engaging in a business combination with any holders of 15% or more of their capital stock until the holder has held the stock for three years unless, among other possibilities, the board of directors approves the transaction. Our board of directors may use these provisions to prevent changes in the management and control of our Company. Also, under applicable Delaware law, our board of directors may adopt additional anti-takeover measures in the future.

We are a party to a stockholder rights plan, also referred to as a poison pill, which is intended to deter a hostile takeover of us by making such proposed acquisition more expensive and less desirable to the potential acquirer. The stockholder rights plan and our certificate of incorporation and bylaws, as amended, contain provisions that may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could limit the price that investors might be willing to pay in the future for shares of our common stock.

ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

ITEM 2: PROPERTIES

We lease office and laboratory space as our headquarters in Novato, California. Effective November 1, 2012, the monthly base rent and operating expenses will be $20. The Novato lease expires on March 31, 2013, after which we will continue leasing on a month-to-month basis. In October 2012, we entered into a one-year lease for administrative offices (which we had been leasing for the past 20 months) in San Mateo, California. We also rent a small office in France for our French country manager. For the four months ended December 31, 2012 and the fiscal year ended

August 31, 2012, our total office/laboratory rental expense was approximately $86 and $241, respectively.

We are currently in negotiations to expand or relocate our Novato headquarters to accommodate current and future hiring needs prior to the expiration of our existing Novato lease. In addition, we may lease office space in the Netherlands for our European sales and marketing headquarters within the next 12 months.

ITEM 3: LEGAL PROCEEDINGS

We know of no material, active or pending legal proceedings against us, or any of our property, and we are not involved as a plaintiff in any material proceedings or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial stockholders are an adverse party or have a material interest adverse to us.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

In connection with the closing of the 2009 Merger, our common stock commenced trading on the NASDAQ Capital Market on September 30, 2009, under the ticker symbol "RPTPD" with 18,822,162 shares outstanding. Effective October 27, 2009, our ticker symbol changed to "RPTP." Effective February 29, 2012, our common stock commenced trading on the NASDAQ Global Market. As of February 22, 2013, there were 53,506,604 shares of our common stock outstanding. There is no public trading market for our warrants. The closing price for our common stock on February 22, 2013 was $5.16.

The following table sets forth the range of high and low sales prices of our common stock for the quarterly periods indicated, as reported by NASDAQ. Such quotations represent inter-dealer prices without retail mark up, mark down or commission and may not necessarily represent actual transactions.

	High	Low
Four Months Ended December 31, 2012:		
First Quarter (September 1 – November 30, 2012)	$5.74	$4.35
December 1, 2012 – December 31, 2012	6.04	5.06
Fiscal Year Ended August 31, 2012:		
First Quarter (September 1 – November 30, 2011)	5.52	3.92
Second Quarter (December 1, 2011 – February 29, 2012)	7.90	5.35
Third Quarter (March 1 – May 31, 2012)	7.31	5.17
Fourth Quarter (June 1 – August 31, 2012)	6.15	4.35
Fiscal Year Ended August 31, 2011:		
First Quarter (September 1 – November 30, 2010)	4.00	2.76
Second Quarter (December 1, 2010 – February 28, 2011)	4.04	3.23
Third Quarter (March 1 – May 31, 2011)	5.75	3.10
Fourth Quarter (June 1 – August 31, 2011)	6.99	3.66

Holders of Record

As of February 22, 2013, there were approximately 228 holders of record of our common stock and 53,506,604 shares of our common stock outstanding. Additionally, on such date, options held by 89 persons to acquire up to, in the aggregate, 7,805,794 shares and warrants held by 23 persons to acquire up to, in the aggregate, 3,962,772 shares of our common stock, were outstanding.

Dividends

We have never declared or paid cash dividends on our common stock and do not anticipate paying any cash dividends on our shares of common stock in the foreseeable future. We expect to retain future earnings, if any, for use in our development activities and the operation of our business. The payment of any future cash dividends will be subject to the discretion of our board of directors and will depend, among other things, upon our results of operations, financial condition, cash requirements, prospects and other factors that our board of directors may deem relevant. Additionally, our ability to pay future cash dividends may be restricted by the terms of any future financing.

Purchase of Equity Securities and Affiliated Purchasers

We have not repurchased any shares of our common stock since inception. We did not issue any unregistered equity securities during the four months ended December 31, 2012.

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Performance Graph

The following is not deemed "filed" with the Securities and Exchange Commission and is not to be incorporated by reference into any filing we make under the Securities Act of 1933, as amended, whether made before or after the date hereof and irrespective of any general incorporation by reference language in such filing.

The following graph shows the value of an investment of $100 on September 30, 2009 (date we effected our 2009 Merger) in our common stock, the NASDAQ Composite Index (U.S.) and the NASDAQ Biotechnology Index. All values assume reinvestment of the pretax value of dividends paid by companies included in these indices and are calculated as of August 31st of each year and for the 4 months ended December 31, 2012. Our common stock is traded on the NASDAQ Global Market. The comparisons shown in the graph are based upon historical data and we caution that the stock price performance shown in the graph is not indicative of, nor intended to forecast, the potential future performance of our stock.

	September 30, 2009	August 31, 2010	2011	2012	December 31, 2012
Raptor Pharmaceutical Corp.	$ 100	$90.3	$143.33	$150.61	$177.27
NASDAQ U.S. Composite Index	100	100.54	124.79	152.73	151.07
NASDAQ Biotechnology Index	100	96.73	119.13	168.82	170.41

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ITEM 6: SELECTED FINANCIAL DATA

The following table shows selected historical consolidated financial and operating information for, and as of the end of, each of the periods indicated and should be read in conjunction with the information in the sections titled, "Management's Discussion and Analysis of Financial Condition and Results of Operation" and "Business" and Raptor's consolidated financial statements and the corresponding notes to those consolidated financial statements included elsewhere in this Transition Report on Form 10-KT. The following tables set forth Raptor's consolidated balance sheet data as of the four months ended December 31, 2012 and fiscal years ended August 31, 2012, 2011, 2010, 2009 and 2008, and its consolidated statements of comprehensive loss data for the four months ended December 31, 2012 and fiscal years ended August 31, 2012, 2011, 2010, 2009 and 2008, for the period from September 8, 2005 (inception) to December 31, 2012.

		For the period ending August 31,					
(in millions, except per share data)	For the four months ended December 31, 2012	2012	2011	2010	2009	2008	For the period September 8, 2005 (Inception) to December 31, 2012
Income Statement Data:							
Revenues	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Operating expenses:							
General and administrative	9.0	14.7	6.2	3.7	2.7	2.2	40.6
Research and development	8.9	21.4	14.8	9.3	6.5	5.8	69.5
Total operating expenses	17.9	36.1	21.0	13.0	9.2	8.0	110.1
Loss from operations	(17.9)	(36.1)	(21.0)	(13.0)	(9.2)	(8.0)	(110.1)
Interest income	0.2	0.3	0.1	0	0	0.1	0.9
Interest expense	(0.1)	0	0	0	0	(0.1)	(0.2)
Foreign currency transaction gain	0.1	0.2	0	0	0	0	0.3
Realized loss on short-term investments	0.0	0.2	0	0	0	0	0.2
Unrealized gain on short-term investments	(0.1)	0	0	0	0	0	(0.1)
Adjustment to fair value of common stock warrants	(1.5)	(3.2)	(16.3)	(5.9)	0	0	(26.9)
Net loss	(19.3)	(38.6)	(37.2)	(18.9)	(9.2)	(8.0)	(135.9)
Other comprehensive loss:							
Foreign currency translation adjustment	(0.1)	(0.1)	0	0	0	0	(0.2)
Comprehensive loss	$ (19.4)	$ (38.7)	$ (37.2)	$ (18.9)	$ (9.2)	$ (8.0)	$ (136.1)
Net loss per share:							
Basic and diluted	$ (0.4)	$ (0.80)	$ (1.15)	$ (0.85)	$ (0.64)	$ (0.81)	
Weighted-average shares outstanding used to compute:							
Basic and diluted	51.7	48.1	32.3	22.2	14.4	9.9	
(in millions)	12/31/12	8/31/12	8/31/11	8/31/10	8/31/09	8/31/08	
Balance Sheet Data:							
	$ 58.4	$ 38.9	$ 15.2	$ 17.0	$ 3.7	$ 7.5	

Cash, cash equivalents and short-term investments						
Working capital (deficit)	37.0	20.6	(11.0)	(0.3)	2.7	6.7
Total assets	68.1	48.3	22.6	24.4	6.6	10.6
Common stock warrant liability	16.4	17.3	23.6	15.8	0	0
Note payable	25.0	0	0	0	0	0
Total liabilities	48.2	21.6	26.7	17.6	1.1	1.0
Accumulated deficit	(135.9)	(116.6)	(78.0)	(40.8)	(21.9)	(12.7)
Total stockholders' equity (deficit)	19.9	26.7	(4.1)	6.8	5.5	9.6

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You should read the following tables presenting our unaudited quarterly results of operations in conjunction with the consolidated financial statements and related notes contained elsewhere in this Transition Report on Form 10-KT. We have prepared this unaudited information on the same basis as our audited consolidated financial statements. Our quarterly operating results have fluctuated in the past and may continue to do so in the future as a result of a number of factors, including, but not limited to, the timing and nature of research and development activities.

	(In millions, except per share data, unaudited)	
	November 30, 2012	Fiscal Year changed to 12/31
Quarterly Data 2013:		
Net loss	$(13.4)	n/a
Net loss per share, basic and diluted	$(0.26)	n/a

	November 30, 2011	February 29, 2012	May 31, 2012	August 31, 2012
Quarterly Data 2012:				
Net loss	$(11.4)	$(14.0)	$(3.0)	$(10.2)
Net loss per share, basic and diluted	$(0.25)	$(0.29)	$(0.06)	$(0.20)

	November 30, 2010	February 28, 2011	May 31, 2011	August 31, 2011
Quarterly Data 2011:				
Net loss	$(10.1)	$(3.0)	$(20.3)	$(3.8)
Net loss per share, basic and diluted	$(0.33)	$(0.09)	$(0.62)	$(0.11)

	November 30, 2009	February 28, 2010	May 31, 2010	August 31, 2010
Quarterly Data 2010:				
Net loss	$(2.9)	$(4.2)	$(7.5)	$(4.4)
Net loss per share, basic and diluted	$(0.16)	$(0.19)	$(0.33)	$(0.17)

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ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

You should read the following discussion in conjunction with our consolidated financial statements as of December 31, 2012, and the notes to such consolidated financial statements included elsewhere in this Transition Report on Form 10-KT. The "Management's Discussion and Analysis of Financial Condition and Results of Operations" section contains forward-looking statements. Please see "Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those discussed below and elsewhere in this Transition Report on Form 10-KT, particularly under the heading "Risk Factors."

Change in Fiscal Year End

On December 4, 2012, our board of directors approved a change to our fiscal year end from August 31 to December 31. The change became effective at the end of the four months ended December 31, 2012. All references to "fiscal years" or "years" prior to this change refer to the twelve-month fiscal period covering September 1 through August 31, and each year after December 31, 2012, the fiscal year covers January 1 through December 31.

Plan of Operation and Overview

We are an emerging biopharmaceutical company focused on developing and commercializing life-altering therapeutics that treat debilitating and often fatal diseases. Our initial focus is on developing our first product candidate, RP103, as a potential treatment for cystinosis, a rare genetic disorder. Cystinosis patients are at very high risk of experiencing life-threatening metabolic disorders, including kidney failure, severe gastrointestinal dysfunction and rickets as a result of an accumulation of the amino acid, cystine, in cells. As a result, cystinosis patients have a substantially reduced life span relative to unaffected individuals.

In July 2011, we announced that RP103 had met the sole primary endpoint in our Phase 3 clinical trial designed to evaluate RP103 as a potential treatment for cystinosis. In the first quarter of calendar 2012, we submitted an NDA to the FDA requesting approval to market RP103 as a potential treatment for cystinosis. The FDA granted Standard Review designation for RP103 and has assigned an initial user fee goal date (by which we anticipate a response from the FDA) of January 30, 2013, which the FDA has extended to April 30, 2013. Also in the first quarter of calendar 2012, we submitted an MAA to the EMA requesting approval to market RP103 as a potential treatment for cystinosis.

In addition to cystinosis, we are also testing RP103 for the potential treatment of NASH, a metabolic liver disorder, and HD, a neurodegenerative disorder.

Clinical Development Programs

Our three active clinical development programs utilize the same active pharmaceutical ingredient, cysteamine bitartrate. Cysteamine bitartrate was approved in the U.S. in 1994 and the EU in 1997 as an orally available immediate-release powder in a capsule for the treatment of, and is the current standard of care for, cystinosis. We are reformulating cysteamine bitartrate to potentially improve the dose administration, safety and/or efficacy compared to existing treatment and repurposing cysteamine bitartrate for potential applications in new disease indications. Our proprietary extended and delayed-release formulation, RP103, is a capsule containing enteric coated micro-beads of cysteamine bitartrate. We believe RP103 will require less frequent dosing and could reduce gastro-intestinal and other side effects compared to immediate-release cysteamine bitartrate for cystinosis patients. In addition to cystinosis, we

are also testing RP103 for the potential treatment of NASH and HD. We have an exclusive worldwide license to delayed-release cysteamine bitartrate from the University of California, San Diego, or UCSD, which is the basis for our proprietary formulation of cysteamine.

Our other clinical-stage product candidate is Convivia™, our proprietary oral formulation of 4-methylpyrazole, for the potential management of acetaldehyde toxicity due to alcohol consumption by individuals with aldehyde dehydrogenase, or ALDH2, deficiency, an inherited metabolic disorder.

Preclinical Product Candidates

Our preclinical programs, for which we are seeking development partners for these programs include our cysteamine dioxygenase, or ADO, program, to improve treatment of diseases for which cysteamine is therapeutic and our HepTide™ program, for the potential treatment of hepatocellular carcinoma and other cancers susceptible to induced lysosomal storage. In December 2012, we decided to terminate our WntTide™ program based upon recent preclinical study results.

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Future Activities

Over the next fiscal year, we plan to conduct research and development and general and administrative activities including: pre-commercial launch preparation of RP103 for the treatment of cystinosis in the U.S. and EU (including preparing commercial materials and coordinating drug supply) and, if approved by applicable regulatory authorities, conducting a commercial launch of RP103 in the U.S. and EU; supporting our ongoing extension study of RP103 in cystinosis until patients are converted onto commercial drug; conducting other supporting clinical studies of RP103 in cystinosis; supplying clinical material for our ongoing clinical trial of RP103 in HD; funding the collaboration and supplying clinical material in our ongoing Phase 2b clinical trial of RP103 in NASH; continuing business development of our preclinical product candidates; conducting research and development activities for in-licensed and newly discovered preclinical assets; supporting potential clinical trials of RP103 in malaria, fibrosis and Parkinson's disease (subject to potential external funding); and supporting associated facilities and administrative functions.

We plan to seek additional business development partners in Asia for our Convivia™ product candidate. We may also develop new preclinical, clinical and or commercial opportunities, including proprietary molecules discovered in-house and in-licensed and acquired technologies.

Application of Critical Accounting Policies

Our consolidated financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles used in the U.S. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe that understanding the basis and nature of the estimates and assumptions involved with the following aspects of our consolidated financial statements is critical to an understanding of our consolidated financial position.

Many of the following critical accounting policies require us to make significant judgments and estimates in the preparation of our consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires our management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the dates of our consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Currency

Our consolidated functional currency is the U.S. dollar. Raptor Pharmaceuticals Europe B.V., or BV, Raptor Pharmaceuticals France SAS, or SAS, and RPTP European Holdings C.V., or CV, our European subsidiary, French subsidiary and Cayman-based subsidiary, respectively, use the European Euro as their functional currency. At each quarter end, balance sheets of BV, SAS and CV are translated into U.S. dollars based upon the quarter-end exchange rate, while their statements of comprehensive loss are translated into U.S. dollars based upon an average of the Euro's value between the beginning and end date of the reporting period. Additionally, the equity accounts for BV, SAS and CV are adjusted for any translation gain or loss.

Fair Value of Financial Instruments

The carrying amounts of certain of our financial instruments including cash and cash equivalents, restricted cash, prepaid expenses, accounts payable, accrued liabilities and capital lease liability approximate fair value due either to

length of maturity or interest rates that approximate prevailing market rates unless otherwise disclosed in our consolidated financial statements. The warrant liability is carried at fair value which is determined using the Black-Scholes option valuation model at the end of each reporting period.

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less, when purchased, to be cash equivalents. We maintain cash and cash equivalents, which consist principally of money market funds with high credit quality financial institutions. Such amounts exceed Federal Deposit Insurance Corporation insurance limits. Restricted cash represents compensating balances required by our U.S. and European banks as collateral for credit cards.

Short-term Investments

We invest in short-term investments in high credit-quality funds in order to obtain higher yields on our cash available for investment. Such investments are not insured by the Federal Deposit Insurance Corporation. We completed an evaluation of our investments and determined that we did not have any other-than-temporary impairments as of December 31, 2012. The investments are placed in financial institutions with strong credit ratings and management expects full recovery of the carrying amounts.

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Prepaid Expenses and Other

Prepaid expenses and other consists primarily of advance payments to vendors that are due within one year.

Deferred Offering Costs

Deferred offering costs represent expenses incurred to raise equity capital related to financing transactions which have not yet been completed as of the balance sheet dates.

Note Payable and Debt Issuance Costs

Note payable, which consists of our loan agreement with HealthCare Royalty Partners, or HC Royalty, as lender, under which we agreed to borrow $50 million in two $25 million tranches, or the HC Royalty Loan, and we have drawn the first tranche in the amount of $25 million, is stated at the borrowed amount as of December 31, 2012. The loan bears interest at an annual fixed rate of 10.75%, and quarterly interest payments are included in interest expense in our Consolidated Statements of Comprehensive Loss for the four month period ended December 31, 2012. Principal payments, when made, reduce our note payable balance. There is a synthetic royalty component based on sales of products in a calendar year, and such royalty is payable quarterly. As of December 31, 2012, there were no royalty payments since we had no approved products that generate revenue. Upon regulatory approval, if at all, of RP103 for cystinosis, such synthetic royalty will be due to HC Royalty.

Debt issuance costs, which were capitalized and included in other long-term assets, are being amortized over the life of the loan using the interest method. The amortization of debt issuance costs is included in interest expense in our Consolidated Statements of Comprehensive Loss for the four month period ended December 31, 2012.

Intangible Assets

Intangible assets include the intellectual property and other rights relating to DR Cysteamine (currently developed as RP103) and to an out-license acquired in the 2009 Merger. The intangible assets related to RP103 are amortized using the straight-line method over the estimated useful life of 20 years, which is the life of the intellectual property patents. The 20-year estimated useful life is also based upon the typical development, approval, marketing and life cycle management timelines of pharmaceutical drug products. The intangible assets related to the out-license are amortized using the straight-line method over the estimated useful life of 16 years, which is the life of the intellectual property patents.

Goodwill

Goodwill represents the excess of the value of the purchase consideration over the identifiable assets acquired in the 2009 Merger. Goodwill is reviewed annually, or when an indication of impairment exists. An impairment analysis is performed, and if necessary, a resulting write-down in valuation is recorded.

Fixed Assets

Fixed assets, which mainly consist of leasehold improvements, lab equipment, computer hardware and software and capital lease equipment, are stated at cost. Depreciation is computed using the straight-line method over the related estimated useful lives, except for leasehold improvements and capital lease equipment, which are depreciated over the shorter of the useful life of the asset or the lease term. Significant additions and improvements that have useful lives estimated at greater than one year are capitalized, while repairs and maintenance are charged to expense as incurred.

Impairment of Long-Lived Assets

We evaluate our long-lived assets for indicators of possible impairment by comparison of the carrying amounts to future net undiscounted cash flows expected to be generated by such assets when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Should an impairment exist, the impairment loss would be measured based on the excess carrying value of the asset over the asset's fair value or discounted estimates of future cash flows.

As of August 31, 2012, we determined that the capitalized acquired in-process research and development cost of $900, representing the tezampanel and NGX 426 program acquired in our 2009 Merger, was impaired due to our decision to discontinue development of this product candidate for thrombosis due to regulatory hurdles that would require significant expenditures which we chose not to prioritize for funding. As such, we expensed $900 as in-process research and development as part of research and development expense on our consolidated statements of comprehensive loss for the year ended August 31, 2012. During the four month period ended December 31, 2012, we did not identify any such impairment losses.

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Common Stock Warrant Liabilities

The warrants issued by us in our 2010 private placement contain a cash-out provision which may be triggered upon request by the warrant holders if we are acquired or upon the occurrence of certain other fundamental transactions involving us. This provision requires these warrants to be classified as liabilities and to be marked to market at each period-end commencing on August 31, 2010. The warrants issued by us in our December 2009 equity financing contain a conditional obligation that may require us to transfer assets to repurchase the warrants upon the occurrence of potential future events. Under the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 480, Distinguishing Liabilities from Equity , or ASC 480, a financial instrument that may require the issuer to settle the obligation by transferring assets is classified as a liability. Therefore, we have classified the warrants as liabilities and will mark them to fair value at each period-end. The common stock warrants are re-measured at the end of every reporting period with the change in value reported in our consolidated statements of comprehensive loss. Warrants which are recorded as liabilities that are exercised are re-measured and marked to market the day prior to exercise. Upon exercise of such warrants, the fair value of such warrants is reclassified to equity.

Income Taxes

Income taxes are recorded under the liability method, under which deferred tax assets and liabilities are determined based on the difference 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 affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Our effective tax rate is 0% for income tax for the year ended December 31, 2012. Based on the weight of available evidence, including cumulative losses since inception and expected future losses, we have determined that it is more likely than not that the deferred tax asset amount will not be realized and therefore a full valuation allowance has been provided on our net deferred tax assets.

Utilization of our net operating loss, or NOL, carryovers may be subject to substantial annual limitation due to the ownership change rules under the Internal Revenue Code and similar state income tax law provisions including those related to the suspension and limitation of NOL carryovers for certain tax years. Such an annual limitation could result in the expiration of our NOL carryovers before utilization.

On September 1, 2009, we adopted the provisions of ASC No. 740-10, Accounting for Uncertainty in Income Taxes, or ASC 740-10. ASC 740-10 requires entities following GAAP to identify uncertain tax positions and disclose any potential tax liability on their financial statements using a two-step process, which includes recognition and measurement.

Our continuing practice is to recognize interest and/or penalties related to income tax matters as a component of income tax expense. As of December 31, 2012, there was no accrued interest and penalties related to uncertain tax positions.

We file U.S. Federal, California, Georgia, Massachusetts, North Carolina and Ohio state income tax returns and Dutch income tax returns. We are currently not subject to any income tax examinations. Due to our NOLs, generally all tax years remain open.

Research and Development

We are a development stage biotechnology company. Research and development costs are charged to expense as incurred. Research and development expenses include medical, clinical, regulatory and scientists' salaries and benefits,

lab collaborations, preclinical studies, clinical trials, clinical trial materials, commercial drug manufacturing prior to obtaining marketing approval, regulatory and clinical consultants, lab supplies, lab services, lab equipment maintenance and small equipment purchased to support the research laboratory, amortization of intangible assets and allocated administrative expenses. Research and development expenses are offset by contra-expenses, which are reimbursements of research and development expenses received either from research collaborators or from government grants or tax rebates.

In-Process Research and Development

Prior to September 1, 2009, we recorded in-process research and development expense for a product candidate acquisition where there was not more than one potential product or usage for the assets being acquired. Upon the adoption of the revised guidance on business combinations, effective September 1, 2009, the fair value of acquired in-process research and development is capitalized and tested for impairment at least annually. Upon completion of the research and development activities, the intangible asset is amortized into earnings over the related product's useful life. In-process research and development that is amortized or expensed is recorded as part of research and development expenses on our consolidated statements of comprehensive loss. We review each product candidate acquisition to determine the existence of in-process research and development.

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Comprehensive Loss

Components of comprehensive loss are reported in our consolidated statements of comprehensive loss in the period in which they are recognized. The components of comprehensive loss include net loss and foreign currency translation adjustments.

Stock-Based Compensation

In February 2010, our board of directors approved, and in March 2010 our stockholders approved, our 2010 Equity Incentive Plan, as amended, or the 2010 Plan, to grant up to an aggregate of 3,000,000 stock options or restricted stock or restricted stock units over the ten year life of the 2010 Plan which aggregate number was increased up to 6,000,000 stock options through an amendment to the 2010 Plan in April 2011. Our board of directors has determined not to make any new grants under any of our former plans, but rather under the 2010 Plan. The 2010 Plan allows for the granting of options to employees, directors and consultants. As of December 31, 2012, options to purchase 7,790,794 shares of our common stock were outstanding and 1,947,420 shares of our common stock remain available for future issuance under the 2010 Plan. The 2010 Plan allows for 50% accelerated vesting of unvested stock options upon a change of control as defined in the 2010 Plan. The award agreement, subject to the terms of any applicable employment agreement, extends the termination date of the awards granted under the 2010 Plan that are vested as of such termination date due to (a) an employee's or a non-employee director's retirement at age 62 or older which employee or non-employee director has at least five (5) years of continuous service with us prior to such retirement, (b) the termination of a non-employee director's board membership for reasons other than for cause or retirement and (c) an employee's or a non-employee director's death (during his or her continuous service with us or within 90 days' of such continuous service with us) or permanent disability, to eighteen (18) months from the date of termination of continuous service with us.

In May 2006, Raptor Pharmaceuticals Corp.'s stockholders approved the 2006 Equity Compensation Plan, as amended, referred to herein as the 2006 Plan. The 2006 Plan's term is ten years and allows for the granting of options to employees, directors and consultants. Effective as of the effective time of the 2009 Merger, we assumed the outstanding stock options of Raptor Pharmaceuticals Corp. granted under the 2006 Plan. Such assumed options are subject to the terms of the 2006 Plan and, in each case, are also subject to the terms and conditions of an incentive stock option agreement, non-qualified stock option agreement or other option award, as the case may be, issued under such 2006 Plan. Prior to the 2009 Merger, and subject to the 2009 Merger becoming effective, our board of directors adopted the 2006 Plan such that the 2006 Plan became an equity incentive plan of ours after the 2009 Merger. Typical option grants under the 2010 and 2006 Plans are for ten years with exercise prices at or above market price based on the last closing price as of the date prior to the grant date on the relevant stock market or exchange and vest over four years as follows: 6/48ths on the six month anniversary of the date of grant; and 1/48th per month thereafter.

Effective September 1, 2006, our stock-based compensation is accounted for in accordance with ASC Topic 718, Accounting for Compensation Arrangements , or ASC Topic 718 (previously listed as Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment , or SFAS 123(R)), and related interpretations. Under the fair value recognition provisions of this statement, share-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the vesting period. Determining the fair value of share-based awards at the grant date requires judgment, including estimating future stock price volatility and employee stock option exercise behavior. If actual results differ significantly from these estimates, stock-based compensation expense and results of operations could be materially impacted.

In March 2005, the FASB issued ASC Topic 718 (previously listed as Staff Accounting Bulletin No. 107), which offers guidance for what was previously referred to as SFAS 123(R). ASC Topic 718 was issued to assist preparers by simplifying some of the implementation challenges of SFAS 123(R) while enhancing the information that investors receive. ASC Topic 718 creates a framework that is premised on two overarching themes: (a) considerable judgment

will be required by preparers to successfully implement SFAS 123(R), specifically when valuing employee stock options; and (b) reasonable individuals, acting in good faith, may conclude differently on the fair value of employee stock options. Key topics covered by ASC Topic 718 include valuation models, expected volatility and expected term.

For the one and four month periods ended December 31, 2012, stock-based compensation expense was based on the Black-Scholes option-pricing model assuming the following: risk-free interest rate of 0.68% and 0.7%, respectively; five year expected life; 95% volatility; 2.5% turnover rate; and 0% dividend rate.

We based our Black-Scholes inputs on the following factors: the risk-free interest rate was based upon our review of current constant maturity treasury bill rates for five years; the expected life of five years was based upon our assessment of the ten-year term of the stock options issued along with the fact that we are a development-stage company and our anticipation that option holders will exercise stock options when we are at a more mature stage of development; the volatility was based on a combination of the actual annualized volatility of our common stock price as quoted on NASDAQ since the closing of our 2009 Merger on September 30, 2009 and of annualized volatility of peer companies; the turnover rate was based on our assessment of our historical employee turnover; and the dividend rate was based on our current decision to not pay dividends on our stock at our current corporate stage of development. If factors change and different assumptions are employed in the application of ASC Topic 718, the compensation expense recorded in future periods may differ significantly from what was recorded in the current period. See Note 8 of our consolidated financial statements for a further discussion of our accounting for stock-based compensation.

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We recognize as consulting expense the fair value of options granted to persons who are neither employees nor directors. Stock options issued to consultants are accounted for in accordance with the provisions of the FASB ASC Topic 505-50, Equity-Based Payments to Non-Employees (previously listed as Emerging Issues Task Force, or EITF, Consensus No. 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services). The fair value of expensed options is based on the Black-Scholes option-pricing model assuming the same factors as stock-based compensation expense discussed above.

Results of Operations

For the four months ended December 31, 2012 and 2011

	For the four months ended December 31,	
(in millions)	2012	2011
		(Unaudited)
Revenues	$0	$ 0
Operating expenses:		
General and administrative	9.0	3.2
Research and development	8.9	6.3
Total operating expenses	17.9	9.5
Net loss	(19.3)	(16.1)

General and Administrative Expenses

For the four months ended December 31, 2012, our general and administrative expenses consisted primarily of employee compensation, marketing and reimbursement studies, consulting fees and legal and patent fees. The increase in general and administrative expenses for the four months ended December 31, 2012 compared to the four months ended December 31, 2011 relates primarily to increased expenses for pre-commercial operations requirements for RP103 for the potential treatment of cystinosis, employee compensation, stock-compensation for employees and directors, legal fees and investor relations costs.

Research and Development

For the four months ended December 31, 2012, our research and development expenses consisted primarily of costs associated with the manufacturing and testing of clinical and commercial materials in anticipation for our potential launch of RP103 for cystinosis, clinical trial research expenses and employee compensation. The increase in research and development expenses for the four months ended December 31, 2012 compared to the four months ended December 31, 2011 relates primarily to increased product manufacture of RP103 for the potential treatment of cystinosis, HD and NASH, additional cystinosis extension and other supporting study expenses, employee compensation, offset by a reduction in Phase 3 cystinosis clinical trial expenses.

Major Program expenses recorded as research and development:

	For the four months ended December 31,	September 8, 2005 (inception) to December 31,
Major Program (stage of development) (in millions)	2012	2012

RP103:		
Cystinosis (pre-commercial)	$ 3.9	$ 37.4
HD (clinical)	0.1	3.1
NASH (clinical)	1.1	4.4
Preclinical programs	0.2	2.3
Minor or inactive programs	0.2	5.9
R & D personnel and other costs not allocated to programs	3.4	16.5
Total research and development expenses	$ 8.9	$ 69.6

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Major Program (stage of development) (in millions)	For the four months ended December 31, 2012	September 8, 2005 (inception) to December 31, 2012
RP103:		
Cystinosis (pre-commercial)	$ 3.2	$ 6.7
HD (clinical)	0	0
NASH (clinical)	0	0.3
Preclinical programs	0	0.4
Minor or inactive programs	0.2	1.1
Total general and administrative expenses related to programs	$ 3.4	$ 8.5

Additional major program expenses include patent fees and patent expenses which were recorded as general and administrative expenses as these fees are to support patent applications (not issued patents) and expenses related to the preparation for commercial launch of RP103 for the potential treatment of cystinosis.

Current Status of Major Programs

Please refer to the Item 1 of this Transition Report on Form 10-KT for a detailed discussion of each of our major programs. In summary, RP103 is being developed in cystinosis, NASH and HD. In March 2012, we filed with the FDA and the EMA for marketing approval of RP103 for the potential treatment of cystinosis and anticipate a decision by the FDA by April 30, 2013 (PDUFA date) and by the EMA by the second half of calendar 2013. In anticipation of marketing approval of RP103 for the potential treatment of cystinosis, we are preparing for potential launch in both the U.S. and the EU. In June 2012, we commenced a Phase 2b clinical trial of RP103 in NASH with the National Institutes of Health and anticipate full enrollment in the second half of calendar 2013 and the potential release of data in the second half calendar 2014. In June 2012, we announced the full enrollment of our HD Phase 2/3 clinical trial of RP103 and the potential release of data in the first half of calendar 2014. We continue efforts to out-license Convivia and our preclinical programs.

Any of our major programs could be partnered for further development and/or could be accelerated, slowed or ceased due to scientific results or challenges in obtaining funding. We anticipate that we will need additional funding in order to pursue our plans beyond the next 12 months. In addition, the timing and costs of development of our programs beyond the next 12 months is highly uncertain and difficult to estimate. See Part I, Item 1A of this Transition Report on Form 10-KT titled "Risk Factors" for further discussion about the risks and uncertainties pertaining to drug development.

Interest Income

Interest income was approximately $0.2 million for the four months ended December 31, 2012 and approximately $0.1 million estimated for the four months ended December 31, 2011 (unaudited).

Interest Expense

Interest expense for the four months ended December 31, 2012 was approximately $0.1 million and for the four months ended December 31, 2011 (unaudited) was nominal. Interest expense for the four months ended December 31, 2012 primarily represented interest on our $25 million note to HCP.

Foreign Currency Transaction Gain

Foreign currency transaction gains were approximately $0.1 million for the four months ended December 31, 2012, while estimated foreign currency transaction gain (loss) for the four months ended December 31, 2011 (unaudited) was nominal. The increase was due to more activity conducted in Europe in preparation for commercial launch and administrative activities of our Euro-denominated subsidiaries.

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Adjustment to the Fair Value of Common Stock Warrants

Adjustment to the fair value of common stock warrants was a loss of approximately $1.5 million for the four months ended December 31, 2012 compared to an estimated loss of approximately $5.0 million for the four months ended December 31, 2011 (unaudited), a decrease in loss of approximately $3.5 million resulting primarily from a lower stock price and the lower number of remaining warrants outstanding due to warrant exercises. These losses are non-cash.

Years ended August 31, 2012 and 2011

General and Administrative Expenses (in thousands)

General and administrative expenses include finance, executive and sales and marketing compensation and benefits, pre-commercial expenses, such as reimbursement and marketing studies, corporate costs, such as legal and auditing fees, business development expenses, travel, board of director fees and expenses, investor relations expenses, intellectual property costs associated with filed (but not issued) patents, administrative consulting and allocated human resources and facilities costs. General and administrative expenses for the year ended August 31, 2012 increased by approximately $8,545 compared to the prior fiscal year. The increase was primarily due to:

Reason for Increase (Decrease)	Increase (Decrease)
Expenses not in FY2011:	
Pre-commercial operations requirements RP103 for the potential treatment of cystinosis:	
Pre-commercial consulting services	$ 1,996
Tax study and advisory fees related to EU headquarters	866
Salary, benefits and bonuses for commercial operations personnel	516
Salary, benefit and bonus increases and new finance and human resources personnel	1,182
Stock-based compensation expense, employees and directors (non-cash)	2,062
Legal fees due to in-licensing of intellectual property	575
Investor relations costs including proxy mailing and solicitation, press releases, webcasting, XBRL filing costs	492
Other, net	856
General and administrative increase year ended August 31, 2012 vs. August 31, 2011	$ 8,545

Research and Development

Research and development expenses include medical, clinical, regulatory and scientists' compensation and benefits, lab collaborations, preclinical studies, clinical trials, clinical trial materials, regulatory and clinical consultants, lab supplies, lab services, lab equipment maintenance and small equipment purchased to support the research laboratory, amortization of intangible assets and allocated human resources and facilities expenses. Research and development expenses for the year ended August 31, 2012 increased by approximately $6,655 over the prior fiscal year primarily due to:

Reason for Increase (Decrease)	Increase (Decrease) (in 000s)
Increased product manufacture of RP103 for the potential treatment of cystinosis, HD, NASH	$ 4,359
Tax grants and expense reimbursements for preclinical and clinical programs not available in FY2012	820
R&D compensation	
Salary, bonus and benefits increases and new hire compensation	621

Stock-based compensation expense, employees (non-cash)	505
Write-off of capitalized intangibles no longer being developed	792
Preclinical studies including research materials and lab services	479
Reduction in Phase 3 cystinosis trial expense partially offset by extension study and other smaller studies	(1,717)
Other, net	796
Research and development increase year ended August 31, 2012 vs. August 31, 2011	$ 6,655

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Research and development expenses include the following:

	Year ended August 31,	
Major Program (stage of development) (in millions)	2012	2011
RP103 – All indications (clinical/pre-commercial)	$18.2	$10.5
Minor and inactive programs	1.7	0.5
R & D personnel and other costs not allocated to programs	1.5	3.8
Total research and development expenses	$21.4	$14.8

Major Program expenses recorded as general and administrative expenses:

	Year ended August 31,	
Major Program (stage of development) (in millions)	2012	2011
RP103 – All indications (clinical and pre-commercial)	$2.7	$1.0
Minor and inactive programs	0.1	0.2

Additional major program expenses include patent fees and patent expenses which were recorded as general and administrative expenses as these fees are to support patent applications (not issued patents) and expenses related to the preparation for commercial launch of RP103 for the potential treatment of cystinosis.

Interest Income

Interest income increased approximately $0.3 million for the year ended August 31, 2012 when compared to the prior year due to primarily to higher cash balances from our September 2011 $46 million follow-on offering and from sales of stock pursuant to our at-the-market sales agreement.

Interest Expense

Interest expense for the years ended August 31, 2012 and 2011 was nominal.

Foreign Currency Transaction Loss

Foreign currency transaction gains were approximately $0.1 million for the year ended August 31, 2012 compared to a nominal transaction loss in the prior year. The increase was due to more activity conducted in Europe (in Euro) in preparation for commercial launch and activities of our Euro-based subsidiaries, the BV and the CV.

Adjustment to the Fair Value of Common Stock Warrants

Adjustment to the fair value of common stock warrants was a loss of approximately $(3.2) million for the year ended August 31, 2012 compared to a loss of approximately $(16.3) million for the year ended August 31, 2011, a decrease in loss of approximately $13.1 million resulting primarily from the lower number of remaining warrants outstanding due to warrant exercises, as well as an increase of $0.24 per share in our common stock price from August 31, 2011. These losses are non-cash.

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Years ended August 31, 2011 and 2010

General and Administrative Expenses

General and administrative expenses include finance and executive compensation and benefits, pre-commercial expenses, such as reimbursement and marketing studies, corporate costs, such as legal and auditing fees, business development expenses, travel, board of director fees and expenses, investor relations expenses, intellectual property costs associated with filed (but not issued) patents, administrative consulting and allocated human resources and facilities costs. General and administrative expenses for the year ended August 31, 2011 increased by approximately $2,458 compared to the prior fiscal year. The increase was primarily due to:

Reason for increase (decrease)	Increase (decrease) (in thousands)
Stock option grants FY 2011, including catch-up grants, non-cash expense	$ 1,378
Additional commercial operations and business development consulting in FY 2011	654
Increased salaries, benefits (401K matching), bonuses including compensation for new hires	458
Various other, net	(32)
General and administrative increase year ended August 31, 2011 vs. August 31, 2010	$ 2,458

Research and Development

Research and development expenses include medical, clinical, regulatory and scientists' compensation and benefits, lab collaborations, preclinical studies, clinical trials, clinical trial materials, regulatory and clinical consultants, lab supplies, lab services, lab equipment maintenance and small equipment purchased to support the research laboratory, amortization of intangible assets and allocated executive, human resources and facilities expenses Research and development expenses for the year ended August 31, 2011 increased by approximately $5,454 over the prior fiscal year primarily due to:

Reason for increase (decrease)	Increase (decrease) (in thousands)
Increase in clinical costs including materials, CRO fees and site fees related to RP103 for the potential treatment of cystinosis	$ 5,832
Increased salaries, benefits (increased 401K matching) bonuses, including compensation for new hires	381
Stock option grants in FY 2011, including catch-up grants, non-cash expense	361
Clinical materials related to thrombosis study	250
Reduction in clinical consulting fees due to hiring in-house expertise in 2nd half of FY 2010	(658)
Tax grant and other program expense reimbursements received in FY 2011	(990)
Various other, net	278
Research and development increase year ended August 31, 2011 vs. August 31, 2010	$ 5,454

Research and development expenses include the following:

	Year ended August 31,	
Major Program (stage of development) (in millions)	2011	2010
RP103 – All indications (clinical/pre-commercial)	$10.5	$6.2

Minor or inactive programs	0.5	0.4
R & D personnel and other costs not allocated to programs	3.8	2.7
Total research and development expenses	$14.8	$9.3

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Major Program expenses recorded as general and administrative expenses:

	Year ended August 31,	
Major program (stage of development) (in millions)	2011	2010
RP103 – All indications (clinical and pre-commercial)	$1.0	$0.1
Minor or inactive programs	0.2	0.4

Additional major program expenses include patent fees and patent expenses which were recorded as general and administrative expenses as these fees are to support patent applications (not issued patents) and expenses related to the preparation for commercial launch of RP103 for the potential treatment of cystinosis (approximately $0.5 and zero for the year ended August 31, 2011 and 2010, respectively).

Interest Income

Interest income for the years ended August 31, 2011 and 2010 was nominal.

Interest Expense

Interest expense for the years ended August 31, 2011 and 2010 was nominal.

Foreign Currency Transaction Loss

Foreign currency transaction gain (loss) for the years ended August 31, 2011 and 2010 was nominal.

Adjustment to the Fair Value of Common Stock Warrants

Adjustment to the fair value of common stock warrants was a loss of approximately $(16.3) million for the year ended August 31, 2011 compared to a loss of approximately $(5.9) million for the year ended August 31, 2010, an increase in loss of approximately $10.4 million resulting from an increase in our common stock price of $1.75 per share. These losses are non-cash.

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Liquidity and Capital Resources

Capital Resource Requirements

As of December 31, 2012, we had $58.4 million in cash, cash equivalents and short-term investments, $23.2 million in current liabilities (of which $16.4 million represented the non-cash common stock warrant liability) and $37.0 million of net working capital.

We estimate that our cash, cash equivalents and short-term investments of $58.4 million as of December 31, 2012, including $23.4 million of proceeds, net of fees and commissions, received in December 2012 as the first tranche under a $50 million loan agreement with HC Royalty, will be sufficient to meet our obligations into the fourth quarter of calendar 2013.

Under the terms of the HC Royalty loan agreement executed on December 20, 2012, we received the first $25 million tranche of the loan at closing and we would receive an additional $25 million upon FDA approval of RP103 for the treatment of cystinosis and satisfaction of other customary closing conditions. The loans, which mature on December 31, 2019, bear interest at an annual fixed rate of 10.75% and a synthetic royalty, tiered down, based on a percentage of future product sales. The loan is interest-only for the first two years. The proceeds for the loans will be used primarily to help fund the commercialization of RP103 for the treatment of cystinosis, advance our development programs and for general corporate purposes.

On April 30, 2012, we entered into a Sales Agreement with Cowen and Company, or Cowen, to sell shares of our common stock, with aggregate gross sales proceeds of up to $40 million, from time to time, through an "at the market" equity offering program under which Cowen acts as sales agent. We pay a 3% commission to Cowen on any sales pursuant to this Sales Agreement. Through February 22, 2013, we sold approximately 3.1 million shares at a weighted-average sales price of $5.24 per share and net proceeds of approximately $15.9 million.

As of February 22, 2013, Series A warrants to purchase up to approximately 0.6 million shares of our common stock were outstanding, all of which warrants were issued pursuant to a definitive securities purchase agreement, dated as of December 17, 2009. The outstanding Series A warrants are exercisable until December 22, 2014, at a per share exercise price of $2.45.

As of February 22, 2013, approximately 2.6 million shares (including the placement agent warrant described below) of our common stock warrants were outstanding, all of which warrants were issued pursuant to private placement purchase agreements, dated as of August 9, 2010. Each warrant, exercisable for 5 years from August 12, 2010, has an exercise price of $3.075 per share. The placement agent warrant that we issued to the placement agent for this private placement is for the purchase approximately 0.1 million shares of our common stock at an exercise price of $3.075 per share.

Future Funding Requirements

It is likely that we will need to raise additional capital either through the sale of equity or debt securities (including convertible debt securities) to fund our operations and to, among other activities, develop and commercialize RP103 for the treatment of cystinosis and other indications. Our future capital requirements may be substantial, and will depend on many factors, including:

- the decisions of the FDA and EMA with respect to our applications for marketing approval of RP103 for the treatment of patients with cystinosis in the U.S. and the EU; the costs of activities related to the regulatory approval process; and the timing of approvals, if received;

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- the cost of establishing the sales, marketing and manufacturing capabilities necessary to be prepared for a potential commercial launch of RP103 for the treatment of cystinosis, if approved;
- the timing and cost of our ongoing clinical programs for RP103, including: evaluating RP103 in treatment-naïve cystinosis patients, and other supportive studies; evaluating RP103 as a potential treatment for Huntington's disease; and evaluating RP103 as a potential treatment for NASH;
- the cost of filing, prosecuting and enforcing patent claims;
- the costs of our manufacturing-related activities; and
- subject to receipt of marketing approval, the levels, timing and collection of revenue received from sales of RP103.

There can be no assurance that we will be successful in raising sufficient funds when needed. Additional financing may not be available in amounts or on terms satisfactory to us or at all.

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Research and Development Activities

We plan to conduct further research and development, to support several clinical trials for RP103, improve upon our internal discovery molecules and in-licensed technology and continue business development efforts for our preclinical and other clinical-stage product candidates in the next 12 months. We plan to conduct research and development activities by our own laboratory staff and also by engaging contract research organizations, clinical research organizations and contract manufacturing organizations. We also plan to incur costs for the production of our clinical study drug candidate RP103 for the potential treatment of HD and NASH; for commercial pre-approval production of RP103 for cystinosis; for production of RP103 for additional clinical trials in cystinosis; clinical and medical advisors; and consulting and collaboration fees. We anticipate that our research and development costs will increase during the next 12 months primarily due to the build-up of inventory of RP103 for cystinosis prior to potential marketing approval in anticipation of drug launch, the addition of new studies in support of cystinosis and the growth in clinical product requirements for our Phase 2b clinical trial in NASH.

General and Administrative Activities

General and administrative costs in the next 12 months will consist primarily of pre-commercial and commercial activities in anticipation of the potential approval and launch of RP103 for cystinosis, of legal, tax and accounting fees, patent legal fees, investor relations expenses, board fees and expenses, insurance, rent and facility support expenses. We anticipate that general and administrative expenses will increase primarily due to the commercial and pre-commercial efforts required to prepare for the potential commercial launch of RP103 for cystinosis in both the U.S. and the EU and an increase in facilities and administrative expenses to support our rapid growth.

Capital Expenditures

In the next 12 months, we expect to increase our capital expenditures on leasehold improvements on new facilities, office equipment and computer software and hardware as we continue to increase our staff in anticipation of the potential commercial launch of RP103 in calendar 2013.

Contractual Obligations

Contractual Obligations With UCSD Relating To The Acquisition Of The DR Cysteamine (RP103) License

We are obligated to pay an annual maintenance fee to UCSD for the exclusive license to develop RP103 for certain indications until we begin commercial sales of any products developed pursuant to the License Agreement. In addition to the maintenance fee, we are obligated to pay during the life of the License Agreement: milestone payments ranging in size for orphan and non-orphan indications and upon the occurrence of certain events, if ever; royalties ranging in size on commercial net sales from products developed pursuant to the License Agreement; a percentage of sublicense fees; a percentage of sublicense royalties; and a minimum annual royalty commencing the year we begin commercially selling any products pursuant to the License Agreement, if ever. Under the License Agreement, we are obligated to fulfill predetermined milestones within a specified number of years from the effective date of the License Agreement, depending on the indication. In addition, we are obligated to, among other things, secure $1.0 million in funding prior to December 15, 2008 (which we fulfilled by raising $10.0 million in our May/June 2008 private placement) and annually spend a certain amount for the development of products (which, as of our fiscal years ended August 31, 2012, 2011, 2010 and 2009, we have fulfilled by spending approximately $20.9 million, $11.3 million, $6.2 million and $4.1 million, respectively, on such programs) pursuant to the License Agreement. Cumulatively, we have expensed approximately $0.9 million in milestone payments to UCSD based upon the initiation of clinical trials in cystinosis, Huntington's disease and NASH and on regulatory filings in cystinosis. In March 2012, we filed an MAA with the EMA, as well as an NDA with the FDA for RP103 for the potential treatment of cystinosis. In conjunction with the achievement of MAA/NDA filing milestone, we paid a milestone payment to UCSD pursuant to

this license. Future milestones will be payable if the MAA and NDA for cystinosis are approved.

To the extent that we fail to perform any of our obligations under the License Agreement, then UCSD may terminate the license or otherwise cause the license to become non-exclusive.

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Other Contractual Obligations

We have contractual obligations under our operating leases and other obligations related to research and development activities, purchase commitments, and licenses. Information about these obligations as of December 31, 2012 is presented in the table below:

(in thousands):	Payments Due by Period				
	< 1 Year	1 - 3 Years	3 - 5 Years	> 5 Years	Total
Debt principal and interest	$2,688	$5,376	$10,174	$23,359	$41,597
Capital lease obligations	9	12	0	0	21
Operating lease obligations	38	0	0	0	38
Research and development and purchase commitments	8,347	2,392	488	1,425	12,652
Total	$11,082	$7,780	$10,662	$24,784	$54,308

We maintain several contracts with contract manufacturers, clinical organizations and clinical sites, drug labelers and distributors, and research organizations, primarily to assist with clinical research and clinical manufacturing for our cystinosis and HD programs and our NASH clinical collaboration. The future commitments pursuant to these agreements are included in the table above as research and development and purchase commitments.

We are also subject to contingent payments related to various development activities totaling approximately $15.0 million, which are due upon achievement of certain development and commercial milestones if such milestones occur before certain dates in the future.

Off-Balance Sheet Arrangements

We do not have any outstanding derivative financial instruments, off-balance sheet guarantees, interest rate swap transactions or foreign currency contracts. We do not engage in trading activities involving non-exchange traded contracts.

Reverse Acquisition

We have treated the 2009 Merger as a reverse acquisition and the reverse acquisition is accounted for as a recapitalization.

For accounting purposes, RPC is considered the accounting acquirer in the reverse acquisition. The historical financial statements reported in this Transition Report on Form 10-KT and in future periods are and will be those of RPC (merged into Raptor Pharmaceutical Corp. effective December 7, 2011) consolidated with its subsidiaries and with us, its parent, Raptor Pharmaceutical Corp. (formerly TorreyPines Therapeutics, Inc.). Earnings per share for periods prior to the reverse merger have been restated to reflect the number of equivalent shares received by former stockholders.

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New Accounting Pronouncements

In September 2011, the FASB issued ASU 2011-08, Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment , or ASU 2011-08, which permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. Because we only have one reporting unit, which has a fair value higher than its carrying amount, since adoption of ASU 2011-08, it had no material impact on our consolidated financial statements.

In July 2012, the FASB issued ASU 2012-02, Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment , or ASU 2012-02. ASU 2012-02 simplifies how entities test indefinite-lived intangible assets, other than goodwill, for impairment and permits an entity to first assess qualitative factors to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired. The amendments are effective for annual and interim indefinite-lived intangible asset impairment tests performed for fiscal years beginning after September 15, 2012 (early adoption is permitted). We adopted these standards on March 1, 2012 and determined that ASU 2011-04 did not have a material impact on our consolidated financial statements.

In August 2012, the FASB issued ASU 2012-03, Technical Amendments and Corrections to SEC Sections: Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 114, Technical Amendments Pursuant to SEC Release No. 33-9250, and Corrections Related to FASB Accounting Standards Update 2010-22 . The amendments affect various SEC paragraphs: (a) pursuant to the issuance of Staff Accounting Bulletin No. 114; (b) pursuant to the issuance of the SEC's Final Rule, Technical Amendments to Commission Rules and Forms Related to the FASB's Accounting Standards Codification, Release Nos. 33-9250, 34-65052, and IC-29748 August 8, 2011; and (c) related to ASU No. 2010-22, Accounting for Various Topics . These provisions do not amend the effective date of the original pronouncements and there is no transition guidance. We reviewed ASU 2012-03 and determined that it did not have a material impact on our consolidated financial statements for the four month period ended December 31, 2012.

In October 2012, the FASB issued ASU 2012-04, Technical Corrections and Improvements, or ASU 2012-04, which makes certain technical corrections and "conforming fair value amendments" to the FASB Accounting Standards Codification. The amendments affect various codification topics and apply to all reporting entities within the scope of those topics. These provisions of the amendment are effective upon issuance, except for amendments that are subject to transition guidance, which will be effective for fiscal periods beginning after December 15, 2012. We adopted these standards on November 1, 2012. The provisions of ASU 2012-04 did not have a material impact on our consolidated financial statements.

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ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of changes in the value of market risk sensitive instruments caused by fluctuations in interest rates, foreign exchange rates and commodity prices. We are exposed to various market risks that may arise from adverse changes in market rates and prices, such as foreign exchange rate and interest rate fluctuations. We do not enter into derivatives or other financial instruments for trading or speculative purposes.

Foreign Exchange Risk

A majority of our assets and liabilities are maintained in the U.S. in U.S. dollars and a majority of our expenditures are transacted in U.S. dollars. We are subject to foreign exchange risk for the operations of BV, SAS and CV, which use the European Euro as their functional currency. We do not believe that a hypothetical one percentage point fluctuation in the U.S. dollar exchange rate would materially affect our consolidated financial position, results from operations or cash flows as of December 31, 2012. We do not currently hedge our foreign currency transactions.

Interest Rate Risk

We are subject to interest rate risks associated with fluctuations in interest rates. As of December 31, 2012, we had $22.1 million invested in a short-term bond fund with the goal of increasing yield on our cash available for investment. Approximately $35.1 million remained in money market accounts, yielding approximately 0.06% per year. The short-term bond fund invests the majority of its assets in high-quality securities issued or guaranteed by U.S. government agencies or Government Sponsored Enterprises, and has a historical annual yield of over 2.0%. This bond fund pays dividends and provides the net asset value of its assets on a daily basis with daily liquidity. The change in net asset value is recorded on our statements of comprehensive loss as unrealized gain or loss on short-term investments. We completed an evaluation of our investments and determined that we did not have any other-than-temporary impairments as of December 31, 2012. Our investments are placed in financial institutions with strong credit ratings and management expects full recovery of the carrying amounts. A hypothetical one percentage point decline in interest rates would not have materially affected our consolidated financial position, results of operations or cash flows as of December 31, 2012.

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ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required to be filed in this item appears on pages F-1 to F-47 of this Transition Report on Form 10-KT.

Documents filed as part of this Transition Report on Form 10-KT/A:

Financial Statements

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PART II – FINANCIAL INFORMATION

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A: CONTROLS AND PROCEDURES

As of December 31, 2012, we performed an evaluation of the effectiveness of our disclosure controls and procedures that are designed to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our disclosure controls and procedures were designed to provide reasonable assurance of achieving our control objectives. Based on our evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of December 31, 2012, are effective at a reasonable assurance level.

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is defined as a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and asset dispositions; (ii) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of our financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in the 1992 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control-Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2012.

Limitations on the Effectiveness of Controls

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Attestation Report of Grant Thornton LLP

Grant Thornton LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Annual Report on Form 10-KT/A and, as part of the audit, has issued a report, included herein, on the effectiveness of our internal control over financial reporting as of December 31, 2012.

Changes in Internal Control over Financial Reporting

During the four months ended December 31, 2012, there have not been any material changes in our internal control over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors

The following table sets forth the name, age and position of each of our directors as of February 22, 2013.

Name	Age	Position(s) Held with the Company
Raymond W. Anderson (2)(3)	70	Director
Suzanne L. Bruhn, Ph.D. (1)(3)	49	Director
Richard L. Franklin, M.D., Ph.D. (1)(2)	67	Director
Llew Keltner, M.D., Ph.D. (1)(2)	63	Director
Erich Sager	55	Director
Vijay B. Samant (1)(3)	60	Director
Christopher M. Starr, Ph.D.	60	Chief Executive Officer and Director
Timothy P. Walbert (2)(3)	45	Director

(1) Member of the Corporate Governance and Nominating Committee.
(2) Member of the Audit Committee.
(3) Member of the Compensation Committee.

Each of the current members of our board of directors has been elected to serve until our next annual meeting of stockholders or until their respective successors are duly elected and qualified.

Business Experience and Directorships

The following describes the background of our directors.

Raymond W. (Bill) Anderson. Mr. Anderson has served as a director of Raptor Pharmaceutical Corp. since September 2009 and as a director of RPC since May 2006. Mr. Anderson worked at Dow Pharmaceutical Sciences, Inc. (a wholly-owned subsidiary of Valeant Pharmaceuticals International since December 31, 2008) from July 2003 until he retired in June 2010. He had been its Managing Director since January 2009 and was previously its Chief Financial Officer and Vice President, Finance and Administration. Mr. Anderson has more than 30 years of biopharmaceutical/medical technology sector experience, primarily focused in financial management. Prior to joining Dow in 2003, Mr. Anderson was Chief Financial Officer for Transurgical, Inc., a private medical technology company. Prior to that, Mr. Anderson served as Chief Operating Officer and Chief Financial Officer at BioMarin from June 1998 to January 2002. Prior to June 1998, Mr. Anderson held similar executive-level positions with other biopharmaceutical companies, including Syntex, Chiron, Glycomed and Fusion Medical Technologies. Mr. Anderson also served as an officer in the U.S. Army Corps of Engineers, as a strategic planner and operational profit and loss manager in General Electric and as a finance manager at Memorex. Mr. Anderson holds an M.B.A. from Harvard University, an M.S. in Administration from George Washington University and a B.S. in Engineering from the United States Military Academy. We nominated Mr. Anderson to the board of directors primarily due to his 30 years of healthcare experience in the areas of operations and finance.

Suzanne L. Bruhn, Ph.D. Dr. Bruhn has served as a director of Raptor Pharmaceutical Corp. since April 2011 and is currently Chief Executive Officer of Promedior, Inc., a privately held, clinical stage biotechnology company focused on the development of targeted therapeutics to treat diseases involving fibrosis. Immediately prior to her appointment as the chief executive officer of Promedior, Inc., Dr. Bruhn spent 13 years at Shire Human Genetic Therapies (HGT),

a division of Shire (NASDAQ: SHPGY) (LSE: SHP), specializing in the development and commercialization of treatments for orphan diseases, most recently as Senior Vice President, Strategic Planning and Program Management. At Shire HGT, Dr. Bruhn was responsible for establishing the program management function, driving strategic planning and portfolio management, and for global regulatory affairs. Dr. Bruhn played a key role in the development, registration, and global expansion of Shire's products REPLAGAL ® , ELAPRASE ® and VPRIV ® , as well as Shire HGT's portfolio expansion through acquisitions, including FIRAZYR ® . Prior to Shire HGT, Dr. Bruhn held various positions at Cytotherapeutics, Inc., a biotechnology company. Dr. Bruhn holds a Ph.D. in Chemistry from Massachusetts Institute of Technology and was a Postdoctoral Fellow in the Department of Human Genetics at Harvard Medical School. We nominated Dr. Bruhn to the board of directors due to her extensive healthcare experience in the orphan disease arena.

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Richard L. Franklin, M.D., Ph.D. Dr. Franklin has served as a director of Raptor Pharmaceutical Corp. since September 2009 and as a director of RPC since July 2008. Dr. Franklin served as Chairman of the board of directors of SyntheMed, Inc., a biomaterials company engaged in the development and commercialization of medical devices, from June 2003 to September 2011 and as a director of SyntheMed, Inc., from December 2000 to September 2011. Dr. Franklin has served as the Chief Executive Officer and Director of Tarix Pharmaceuticals, a drug development company, since 2004 and as Chairman of Pathfinder, LLC, a regenerative medicine company, since 2009. Pathfinder, LLC and SyntheMed merged in September 2011, at which point the combined companies were renamed Pathfinder Cell Therapy, Inc., and Dr. Franklin became the Chief Executive Officer and a director. Dr. Franklin received an M.A. in Mathematics from University of Wisconsin, a Ph.D. in Mathematics from Brandeis University and an M.D. from Boston University School of Medicine. We nominated Dr. Franklin to the board of directors due to his experience as a CEO and chairman of various healthcare companies.

Llew Keltner, M.D., Ph.D. Dr. Keltner has served as a director of Raptor Pharmaceutical Corp. since September 2009. Since May 2011, Dr. Keltner has been the Chief Executive Officer of AgonOx, a biotechnology company developing OX40 agonists for use in cancer therapy. Dr. Keltner was the President of Novici Biotech, a privately-held gene and protein optimization firm, from 2010 to 2011. He is also Chief Executive Officer of EPISTAT, an international healthcare technology transfer, corporate risk management and healthcare strategy company that he founded in 1972. Dr. Keltner was Chief Executive Officer and President of Light Sciences Oncology, a privately-held biotechnology company developing a late stage, light-activated therapy for hepatocellular cancer and other solid tumors from 2001 to 2010. From 1997 to 2004, Dr. Keltner was Chief Executive Officer of Metastat, a development-stage biotechnology company focused on cancer metastasis. Dr. Keltner holds positions on the boards of Infostat, Oregon Life Sciences, and Goodwell Technologies. He is a previous director on the boards of Light Sciences Corporation, Vital Choice, Thesis Technologies, Oread Companies, and MannKind Corporation. He has also been a scientific advisory board member at Lifetime Corporation, ASB Meditest, Oread Laboratories, Hall-Kimbrell, and aai Pharma. He is currently a member of the American Society of Clinical Oncology, American Medical Association, International Association of Tumor Marker Oncology, American Association of Clinical Chemistry, and Drug Information Association. Dr. Keltner received an M.S. in Epidemiology and Biostatistics, a Ph.D. in Biomedical Informatics and an M.D. from Case Western Reserve University in Cleveland, Ohio. Dr. Keltner has also authored several research publications. We nominated Dr. Keltner to the board of directors due to his practical experience as a current chief executive officer of a life sciences company and due to his medical knowledge and network within the biotechnology industry.

Erich Sager. Mr. Sager has served as a director of Raptor Pharmaceutical Corp. since September 2009 and as a director of RPC since May 2006. He was a founding partner of Limetree Capital SA, a Swiss-based investment banking boutique, where he served as Chairman from 2006 to 2011. Mr. Sager also serves as Chairman and member of the board of directors at Calltrade Carrier Services AG, a European wholesale phone operator, and has held such position since 2004. He is also a current board member of Zecotek Medical Systems Inc. and Pulse Capital Corp. Mr. Sager served on the board of directors of BioMarin from November 1997 to March 2006 and as Chairman of LaMont Asset Management SA, a private investment management firm, from September 1996 until August 2004. Mr. Sager has held the position of Senior Vice President, Head of the Private Banking for Dresdner Bank (Switzerland) Ltd., Vice President, Private Banking, Head of the German Desk for Deutsche Bank (Switzerland) Ltd., and various positions at banks in Switzerland. Mr. Sager received a business degree from the School of Economics and Business Administration, Zurich, Switzerland. We nominated Mr. Sager to the board of directors due to his knowledge of healthcare fundraising in Europe, as well as his experience while at BioMarin.

Vijay B. Samant. Mr. Samant has served as a director of Raptor Pharmaceutical Corp. since April 2011 and is President and Chief Executive Officer of Vical Inc. (NASDAQ: VICL), a leader in the development of DNA vaccines for infectious diseases and cancer therapeutics. Prior to Vical, Mr. Samant spent more than 20 years in diverse U.S. and international sales, marketing, operations, and business development positions with Merck & Company, Inc. (NYSE: MRK), including Chief Operating Officer of the Merck Vaccine Division, and Vice President of Vaccine

Operations, Vice President of Business Affairs, and Executive Director of Materials Management, all in the Merck Manufacturing Division. Mr. Samant has also been: a member of the Board of Trustees for the International Vaccine Institute (IVI, Seoul, Korea) since 2008; a member of the Board of Trustees for the National Foundation for Infectious Diseases (NFID, Bethesda, MD) from 2003 to 2012; and a Director of the Aeras Global TB Vaccine Foundation from 2001 to 2010. Mr. Samant holds an S.M. from the Sloan School of Management at the Massachusetts Institute of Technology, as well as an M.S. in Chemical Engineering from Columbia University, and a B.S. in Chemical Engineering from the University of Bombay, University Department of Chemical Technology. We nominated Mr. Samant to the board of directors due to his experience in running a public healthcare company and due to his background in sales and marketing and business development.

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Christopher M. Starr, Ph.D., Chief Executive Officer. Dr. Starr has served as the Chief Executive Officer and a director of Raptor Pharmaceutical Corp. since September 2009. Dr. Starr was a co-founder of RPC and has served as the Chief Executive Officer, President and director thereof since its inception in 2006. Dr. Starr has served as Chief Executive Officer of our wholly owned subsidiary, Raptor Pharmaceutical Inc., since its inception in September 2005. Dr. Starr co-founded BioMarin Pharmaceutical Inc. in 1997 where he last served as Senior Vice President and Chief Scientific Officer prior to joining us in 2006. As Senior Vice President at BioMarin, Dr. Starr was responsible for managing a Scientific Operations team of 181 research, process development, manufacturing and quality personnel through the successful development of commercial manufacturing processes for its enzyme replacement products, and supervised the cGMP design, construction and licensing of BioMarin's proprietary biological manufacturing facility. From 1991 to 1998, Dr. Starr supervised research and commercial programs at BioMarin's predecessor company, Glyko, Inc., where he served as Vice President of Research and Development. Prior to his tenure at Glyko, Inc., Dr. Starr was a National Research Council Associate at the National Institutes of Health. Dr. Starr earned a B.S. from Syracuse University and a Ph.D. in Biochemistry and Molecular Biology from the State University of New York Health Science Center, in Syracuse, New York. We nominated Dr. Starr to the board of directors due to his extensive experience at BioMarin Pharmaceutical where he was directly involved in the successful approval of two drugs for orphan indications.

Timothy P. Walbert. Mr. Walbert has served as a director of Raptor Pharmaceutical Corp. since April 2011 and is Chairman, President and Chief Executive Officer of Horizon Pharma, Inc. (NASDAQ: HZNP), a publicly traded biopharmaceutical company focused on developing and commercializing innovative medicines in arthritis, pain and inflammatory diseases. Prior to Horizon Pharma, Mr. Walbert was President, Chief Executive Officer and Director of IDM Pharma, Inc., a publicly traded oncology-focused biotechnology company, which was acquired by Takeda Pharma Holdings in June 2009. For more than 20 years, Mr. Walbert held executive positions in general management, corporate strategy, sales, U.S. and international marketing and commercial operations at such biopharmaceutical industry leaders as Abbott Laboratories (NYSE: ABT), G.D. Searle/Pharmacia, Neopharm, Merck & Company (NYSE: MRK) and Wyeth. At Abbott, Mr. Walbert served as Divisional Vice President and General Manager, Immunology at Abbott, leading the global development and launch of HUMIRA, which attained over eight billion in 2011 sales. Mr. Walbert serves on the board of directors of XOMA Ltd., the Biotechnology Industry Organization (BIO), the Illinois Biotechnology Industry Organization (iBIO) and the Greater Chicago Arthritis Foundation. Mr. Walbert holds a B.A. in Business and Marketing from Muhlenberg College. We nominated Mr. Walbert to the board of directors due to his experience in commercial operations, business strategy and his experience leading a publicly traded biopharmaceutical company.

Audit Committee

The audit committee of our board of directors, herein referred to as the Audit Committee, has been established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee is responsible for overseeing our accounting and financial reporting processes. In such capacity, our Audit Committee (a) has sole authority to appoint, replace and compensate our independent registered public accounting firm and is directly responsible for oversight of its work; (b) approves all audit fees and terms, as well as any permitted non-audit services performed by our independent registered public accounting firm; (c) meets and discusses directly with our independent registered public accounting firm its audit work and related matters; (d) oversees and performs investigations with respect to our internal and external auditing procedures, including the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters and (e) undertakes such other activities as the Audit Committee deems necessary or advisable and as may be required by applicable law.

Our Audit Committee currently comprises Mr. Anderson, Dr. Franklin, Dr. Keltner and Mr. Walbert. Mr. Anderson has been designated as the "audit committee financial expert" as defined by the regulations promulgated by the SEC. Our board of directors has determined that each member of the Audit Committee is independent as defined by

NASDAQ and SEC rules applicable to audit committee members.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers and holders of more than ten percent of a registered class of our equity securities, or 10% Stockholders, to file reports of ownership and reports of changes in ownership of our common stock and other equity securities with the SEC. Directors, executive officers and 10% Stockholders are required to furnish us with copies of all Section 16(a) forms they file. To our knowledge, based on a review of the copies of such reports furnished to us, we believe that during the fiscal year ended August 31, 2012, our directors, executive officers and 10% Stockholders timely filed all Section 16(a) reports applicable to them, with the exception of one late Form 4 for Mr. Sager and two late Form 4s for Mr. Henk Doude van Troostwijk. As of September 25, 2012, Mr. Doude van Troostwijk was no longer classified as a Section 16 officer. We believe that during the four months ended December 31, 2012, our directors, executive officers and 10% Stockholders timely filed all Section 16(a) reports.

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Code of Ethics

We have adopted a Code of Business Conduct and Ethics, which is applicable to our directors and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. Our Code of Business Conduct and Ethics is posted on the "Investors & Media–Corporate Governance" section of our website at www.raptorpharma.com and is reviewed and acknowledged by our directors and officers annually. If we make any substantive amendments to our Code of Business Conduct and Ethics or grant any waiver from a provision of the Code of Business Conduct and Ethics to any executive officer or director, we will promptly disclose the nature of the amendment or waiver in the "Investors & Media—Corporate Governance" section of our website at www.raptorpharma.com and/or in our public filings with the SEC.

Executive Officers

The following table sets forth the name, age and position held by each of our executive officers as of February 22, 2013. Our executive officers are elected by our board of directors on an annual basis and serve at the discretion of our board of directors or until their successors have been duly elected and qualified.

Name	Age	Position(s) Held with the Company
Christopher M. Starr, Ph.D.	60	Chief Executive Officer and Director
Julie Anne Smith	42	Chief Operations Officer, Executive Vice President, Strategy
Georgia Erbez	45	Chief Financial Officer, Treasurer and Secretary
Thomas (Ted) E. Daley	50	Chief Business Officer

The following describes the background of our executive officers except for Dr. Starr, whose background is described above under the heading "Business Experience and Directorships."

Julie Anne Smith. As of September 10, 2012, Ms. Smith joined us as our Executive Vice President, Strategy and Chief Operating Officer. Ms. Smith will be responsible for directing our commercial, manufacturing, and program management organizations, and providing leadership in corporate and strategic development initiatives. Prior to joining Raptor, from July 2008 to May 2012, Ms. Smith was Chief Commercial Officer of Enobia Pharma, Inc., a private, clinical stage orphan company acquired by Alexion (ALXN). From August 2006 to July 2008, as Vice President, Commercial at Jazz Pharmaceuticals, she led commercial functions. From December 2001 to August 2006, as Vice President, Global Marketing at Genzyme General in Cambridge MA, she led the worldwide commercialization and planning for Myozyme, an infused enzyme replacement therapy for an ultra-orphan genetic disease. In her nearly 20 years in biotechnology, Ms. Smith has served in executive management of both private and public biotechnology firms, mostly in orphan drug development and commercial product opportunities. She holds a B.S. in Biological and Nutritional Science from Cornell University, Ithaca, NY.

Georgia Erbez. As of September 10, 2012, Ms. Erbez joined us as our Chief Financial Officer. As of September 2012, Ms. Erbez also was appointed to serve as our Secretary and Treasurer. Ms. Erbez is responsible for directing our global financial strategy and organization and providing leadership in defining, communicating, and executing corporate and financial strategic initiatives. Prior to joining Raptor, from March 2008 to September 2012, Ms. Erbez has been a founder and managing director of Beal Advisors, a boutique investment bank that has provided advisory and capital acquisition services to emerging growth companies. Ms. Erbez also served as Managing Director and Consultant at Collins Stewart LLC from April 2011 to January 2012. From 2005 to 2008, Ms. Erbez was a Senior Vice President in the life sciences investment banking group at Jefferies & Co. From 1998 to 2002, she was with the healthcare investment banking group at Cowen and Co., most recently as Director. From 1997 to 1998, Ms. Erbez was an associate at Hambrecht & Quist where she provided investment banking services to healthcare services and life sciences companies. From July 1989 to January 1997, Ms. Erbez was with Alex Brown & Sons in the healthcare investment banking group, where she focused on life sciences, medical technology and healthcare services companies.

She holds a B.A. in International Relations with an emphasis in Economics from the University of California at Davis.

Thomas (Ted) E. Daley. As of January 1, 2013, Mr. Daley serves as our Chief Business Officer, prior to that, as of September 29, 2009, Mr. Daley joined us as President and a board member of Raptor Therapeutics, a wholly-owned indirect subsidiary acquired in the 2009 Merger. Mr. Daley joined Raptor Therapeutics in September 2007 following the acquisition by it of Convivia, Inc., which Mr. Daley founded. Mr. Daley was co-founder, VP Business Development and Chief Operating Officer of Instill Corporation, a leading electronic commerce services provider to the U.S. foodservice industry. Between 1993 and 2001 Mr. Daley helped raise over $50.0 million in venture capital and build Instill to a 150+ person operation with a nationwide customer base. After leaving Instill, from 2001 and 2007, Mr. Daley served in executive and consulting roles to a number of technology startup companies including MetricStream, Inc., PartsRiver and Certicom Security. Prior to that time, Mr. Daley worked in operations management for Anheuser-Busch, Inc., and consulted to Gordon Biersch Brewing Company and Lion Breweries (New Zealand). Mr. Daley received a BS in Fermentation Science from University of California at Davis, and an M.B.A. from Stanford University.

Relationships Among Executive Officers and Directors

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

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ITEM 11: EXECUTIVE COMPENSATION

Named Executive Officer Compensation
Compensation Discussion and Analysis

Overview

The Compensation Committee of our board of directors, herein referred to as the Compensation Committee, has overall responsibility for the compensation program for our executive officers. The Compensation Committee reviews, adopts and oversees our compensation strategy, policies, plans and programs, including:

(i) the establishment of corporate and individual performance goals and evaluation of performance relevant to the compensation of our executive officers and other senior management and staff;

(ii) the review and approval of the terms of employment or service, including severance and change in control arrangements, of our Chief Executive Officer and the other executive officers;

(iii) the review and recommendation to the board of directors of the compensation plans and programs advisable for the Company, including the type and amount of compensation to be paid or awarded to non-employee directors; and

(iv) the administration of our equity compensation plans, pension and profit-sharing plans, deferred compensation plans and other similar plans and programs.

In evaluating executive officer pay, the Compensation Committee may retain the services of an independent compensation consultant or research firm and consider recommendations from our Chief Executive Officer and persons serving in managerial positions over a particular executive officer with respect to goals and compensation of the executive officer. The executive officers are not present or involved in deliberations concerning their compensation. Our Compensation Committee assesses the information it receives in accordance with its business judgment. All decisions with respect to executive compensation, other than compensation for our Chief Executive Officer, are first approved by our Compensation Committee and then submitted, together with the Compensation Committee's recommendations, to our board of directors for final approval. Our Chief Executive Officer is not present for the discussion of and approval of his compensation. However, some compensation elements for our Chief Executive Officer are approved as an integral part of a company-wide action or program.

We choose to pay the various elements of compensation discussed in order to attract, retain and motivate our high quality executive talent, reward annual performance and provide incentive for the achievement of intermediate and long-term strategic goals.

We believe that the compensation of our executives (and their functional or business teams) should reflect their success in achieving key objectives and individual performance factors. The key objectives broadly include:

(1) establishing and executing on product development program milestones within planned budgetary expenditures and timelines;

(2) securing adequate funds to achieve program objectives, to maintain our solvency and to moderate financial risk;

(3) expanding our preclinical product pipeline through creation of novel proprietary products, by utilization of technology, or by acquiring/ in-licensing new preclinical or clinical products and technology;

(4) creating corporate partnerships, contracts, collaborations and in-licensing or out-licensing products and technologies to achieve strategic objectives;

(5) submitting and receiving satisfactory results from regulatory submissions and interactions with regulators;

(6) developing a strong intellectual property position enhancing the value of our product candidates and technologies;

(7) developing and implementing all aspects of major marketing and sales support programs for innovative prescription pharmaceuticals, especially for products targeted at ultra-orphan or orphan disease indications;

(8) developing and leading an integrated direct field sales and medical liaison specialist force for the enrollment of patients into Company programs for prescription of innovative pharmaceuticals for treatment of patients with ultra-orphan or orphan diseases, meeting sales revenue projections under intense competitive and business environmental conditions;

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(9) selecting and managing contract manufacturing organizations at the active pharmaceutical ingredient and drug product manufacturing levels (including packaging and other relevant activities) in full compliance with demanding regulatory controls, (as cGMP) and within product total manufacturing cost boundaries in order to meet commercial and clinical product demand schedules;

(10) developing and managing quality assurance and quality control functions in compliance with regulatory requirements designed to ensure the safety and efficacy of our pharmaceutical products and therapeutic drug monitoring programs under both clinical and commercial conditions;

(11) developing and maintaining a regulatory, marketing, and sales organization to launch and develop ultra-orphan and orphan products in international markets, with initial focus on countries with the EU and other European markets, meeting sales revenue projections under intense competitive and difficult economic conditions;

(12) developing and managing coordinated systems of third party logistics providers, pharmacies, and other organizations to provide efficient controls over and distribution of Company products; and

(13) increasing short-term and long-term stockholder value.

Key individual factors for each executive include:

(1) the value of their unique skills and capabilities to support our short and long-term performance;

(2) performance of their management responsibilities;

(3) leadership qualities in enhanced team performance;

(4) business judgment and execution skills;

(5) current compensation arrangements, especially in comparison to the compensation of other executives in similar positions in competitive companies within our industry and whether an increase in responsibilities and change in title is warranted;

(6) short and long-term potential to enhance stockholder value; and

(7) contributions as a member of the executive management team.

Our allocation between currently paid cash compensation and longer term equity compensation is intended to balance the requirement for adequate base compensation to attract, retain and motivate highly skilled personnel, while providing equity incentives to maximize long-term value for our stockholders and thus for our employees. We provide cash compensation in the form of base salary and annual, discretionary incentive cash bonuses to reward performance against preset written goals and objectives. We provide non-cash compensation to reward performance against intermediate and long-term strategic goals and provide a basis for improved financial security for the employee if our stockholders and we have financial success.

The Role of Stockholder Say-on-Pay Votes

We provide our stockholders with the opportunity to cast a non-binding advisory vote on the compensation of our Named Executive Officers' and on the frequency with which this vote should be conducted in future years. During fiscal year 2012, our Named Executive Officers included our principal executive officer (Chief Executive Officer), our principal financial officer (Chief Financial Officer), and our three most highly compensated executive officers

other than the principal executive officer and principal financial officer. In May 2012 at our Annual Meeting of Stockholders, based upon total shares voted, our stockholders approved our Named Executive Officers' compensation with a 94% affirmative vote and 89% of voters voted for a one year frequency for say-on-pay. Although the stockholder vote is non-binding, the Compensation Committee will consider the outcome of the vote when making future compensation decisions for Named Executive Officers. In addition, we will conduct future stockholder advisory votes on the compensation of our Named Executive Officers once every year, until the next required stockholder advisory vote on the frequency of future stockholder advisory votes on the compensation of our Named Executive Officers, which we will conduct no later than our 2018 Annual Meeting of Stockholders.

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Compensation Risks

We believe that risks arising from our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on the Company. In addition, the Compensation Committee believes that the mix and design of the elements of executive compensation do not encourage management to assume excessive risks.

The Compensation Committee reviewed the elements of executive compensation to determine whether any portion of executive compensation encouraged excessive risk taking and concluded:

- significant weighting towards long-term equity compensation (with multiple year vesting schedules and long expiration terms) discourages short-term risk taking;
- for key decision-making officers, base salary makes up a significant majority of cash compensation even with full achievement of annual incentive (cash) awards;
- goals are appropriately set to avoid targets that, if not achieved, result in a large percentage loss of compensation; and
- as a pharmaceutical product development company with industry standard long development timelines, we do not face the same level of short-term risks associated with compensation for employees at other companies in rapidly changing markets.

Furthermore, compensation decisions include subjective considerations, which moderate the influence of formulaic or objective factors which may encourage excessive risk taking.

Elements of Compensation

Elements of compensation for our executives generally include:

- base salary (typically subject to review and potential adjustment annually based on inflation factors, industry competitive salary levels, our ability to pay, and performance on corporate and individual goals);
- annual performance bonuses which are paid in cash and are based primarily on performance against preset written goals;
- equity compensation (which to date has been implemented using stock option awards with multiple year vesting terms and up to ten year expiration periods);
- 401(k) plan Company matching contributions;
- health, disability and life insurance; and
- employment terms and conditions including severance and change in control provisions primarily delineated in individual employment contracts or employer offer letters and Company policies.

Base Salary

At hire, base salaries are set for our executives based on the scope of each executive's responsibilities, as well as their qualifications, breadth of experience, performance record in similar situations, depth and breadth of appropriate functional expertise and close match with position requirements. Competitive market compensation paid by similar companies in our industry for individuals with similar responsibilities is a fundamental consideration.

Shortly after the end of each fiscal year, the Compensation Committee conducts an annual review of base salaries and the overall compensation package as a basis for any adjustments. Annual adjustments, if any, are typically made effective retroactive to the first day of the new fiscal year. The basis for salary adjustments may include merit increases in the competitive marketplace, adjustments to move individuals toward our target penetration in the competitive salary range for similar positions, increased duties and responsibilities, and sustained superior performance against goals and in special assignments. Adjustments may be made during the fiscal year for promotions, for highly urgent competitive reasons, for sustained superior performance in new or special challenges or

circumstances, and similar reasons (mid-year adjustments generally require unusual or special circumstances).

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Fiscal Year Ended August 31, 2012

The Compensation Committee made recommendations and the board of directors approved base salary compensation for our executive officers for the fiscal year ended August 31, 2012 taking into account:

- our status as an early-stage product development company without revenues or meaningful cost sharing collaborative agreements;
- competitive levels of compensation; and
- our ability to pay at this stage of our funding capability.

In September 2011, following its usual practice, our Compensation Committee hired Virginia Keller, at the time an outside Human Resources consultant, to update the benchmark of our base salaries, annual incentive cash bonuses and equity compensation (stock option grants) against the Aon Radford Global Life Sciences survey, a well-established blinded industry compensation survey. In addition, our Compensation Committee considered individual performance and competitive salaries paid to executive officers of other biopharmaceutical/biotechnology companies similar in size, stage of development and other characteristics. In making its recommendations, the Compensation Committee took into account assessments and recommendations submitted by the person serving as the manager of a particular executive officer.

After consideration of competitive salary compensation factors, the board of directors acting on the recommendation of the Compensation Committee, increased the salaries of our Named Executive Officers.

Effective September 1, 2011, the base salary of Dr. Starr, our Chief Executive Officer, was increased to $356,807. This represents the 45th percentile for the comparative companies in the Aon Radford Global Life Sciences survey, a blinded industry compensation survey, grouping for companies with under 50 employees. This increase constituted a 3% increase in Dr. Starr's base salary.

Effective September 1, 2011, Ms. Tsuchimoto and Mr. Reichenberger both received 3% increases to their fiscal year 2011 base salaries, Mr. Daley received a 5.8% increase and Dr. Rioux received a 7.6% increase to equate their salaries to the 45th percentile for the comparative companies in the Radford survey grouping for companies with under 50 employees. These raises were to match merit increases among companies in the Radford survey and to maintain the relative position in the Radford survey grouping for companies with under 50 employees.

		Fiscal Year 2012 Annual Base Salary
Christopher M. Starr, Ph.D.	Chief Executive Officer and Director of Raptor Pharmaceutical Corp.	$ 356,807
Kim R. Tsuchimoto	Former Chief Financial Officer, Secretary and Treasurer (Currently VP, Finance)	$ 255,465
Ted Daley	President, Raptor Therapeutics	$ 265,458
Patrice P. Rioux., M.D., Ph.D.	Chief Medical Officer, Raptor Therapeutics	$ 321,041
Patrick Reichenberger	VP, Commercial Operations	$ 234,600

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Four month transition period from September 1 to December 31, 2012

With the appointment on September 10, 2012 of Ms. Smith as Executive Vice President, Strategy, Chief Operations Officer and Ms. Erbez as Chief Financial Officer, Secretary and Treasurer, effective September 10, 2012, our Named Executive Officers for the four month transition period were Dr. Starr, Ms. Erbez, Ms. Tsuchimoto, Ms. Smith, Mr. Daley and Dr. Rioux.

The Compensation Committee made recommendations and the board of directors approved base salary compensation for our newly appointed and exiting executive officers effective September 2012.

To formulate its recommendations, our Compensation Committee hired Compensia, an independent compensation consulting firm to update the benchmark of our base salaries, target bonus percentages and equity compensation (stock option grants) of our Named Executive Officers compared to equivalent positions in our peer companies and against Aon Radford Global Life Sciences survey, a well-established blinded industry compensation survey. In addition, our Compensation Committee considered individual performance. The peer companies consisted of the following:

Aegerion Pharmaceuticals	Dyax	Progenics Pharmaceutical
Affymax	Dynavax Technologies	Sangamo BioSciences
Amicus Therapeutics	MAP Pharmaceuticals	Synageva BioPharma
ArQule	Neurocrine Biosciences	Transcept Pharmaceuticals
Avanir Pharmaceuticals	Novavax	Vical
Corcept Therapeutics	Omeros	Zalicus
Curis	OncoGenex Pharmaceuticals	
Depomed	Oncothyreon	

In addition, our Compensation Committee considered individual performance, recommendations submitted by the person serving as the manager of a particular executive officer and our ability to pay at our current stage of development.

After consideration of competitive salary compensation factors, the board of directors acting on the recommendation of the Compensation Committee, increased (or set in the case of Ms. Smith and Ms. Erbez) the salaries of our Named Executive Officers.

		Effective September 1, 2012* Annual Base Salary
Christopher M. Starr, Ph.D.	Chief Executive Officer and Director	$ 410,000
Georgia Erbez	Chief Financial Officer, Secretary and Treasurer	$ 330,000
Kim R. Tsuchimoto**	Former Chief Financial Officer, Secretary and Treasurer (currently Vice President, Finance)	$ 255,465
Julie Anne Smith	Exececutive Vice President, Strategy, Chief Operations Officer	$ 350,000
Patrice P. Rioux., M.D., Ph.D.	Chief Medical Officer	$ 338,300
Ted Daley	Chief Business Officer	$ 292,000

*For Ms. Smith and Ms. Erbez, salaries are effective upon their hire date of September 10, 2012.
**Ms. Tsuchimoto was appointed VP, Finance as of September 10, 2012.

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Annual Incentive Cash Bonus and Other Non-Equity Incentive Plan Compensation

All of our executive officers are eligible for annual and discretionary cash and stock option bonuses pursuant to their employment agreements.

Our Compensation Committee has implemented an annual performance program. Annual performance goals are determined and documented in writing at the beginning of each fiscal year for the Company as a whole (corporate goals) and for each executive (individual goals). Should there be a meaningful change in our situation, environment, or operating strategy, goals may be modified or new, more appropriate goals may be instituted upon the recommendation of our Compensation Committee and approval by our board of directors.

Performance against our corporate goals and the executive's individual goals is considered by our Compensation Committee in evaluating performance and as a significant contributing factor in determining all aspects of the compensation of our executives. Performance against goals is the primary factor in determining annual cash incentive bonuses.

Goals are weighted in importance and are time-bound. When taken as a whole, goals are intended to be challenging goals which will have a meaningful impact on stockholder value, either immediately or as preparatory steps required for future achievements.

The achievement scores are desired to be measurable and quantifiable when appropriate. After judgmental evaluation of performance, achievement scores may be awarded which recognize partial performance of a goal or award additional score points for exceptional performance due to unanticipated challenges or superior performance.

Fiscal Year Ended August 31, 2012

Fiscal Year 2012 Corporate Goals

Our corporate goals are grouped into our major activities with the weighting shown.

Development of RP103 for Cystinosis (weighted 60%)

- File for marketing approval in the U.S. and the EU by March 2011;
- Respond to FDA/EMA comments to NDA/MAA filings within regulatory timeframes; and
- Establish a European headquarters with a General Manager hired in anticipation of EU launch by June 2011.

Finance (weighted 30%)

- Manage cash burn of $32 million and execute planned programs;
- Raise funds in order to end fiscal year 2012 with approximately $40 million to $42 million in cash; and
- Improve stockholder base by increasing stock ownership percentage of the target stockholder groups by 5 percentage points over the percentage at the start of fiscal year 2012.

Development of RP103 for NASH and HD (weighted 10%)

- Commence our Phase 2b NASH clinical trial by March 2012; and
- Complete enrollment of our Phase 2/3 HD clinical trial in France by December 2011.

An overall corporate achievement score of 78% was determined by our board of directors to reflect the achievement of the majority of the most important fiscal year 2012 goals as agreed in advance by the board of directors, including

completion of key regulatory filings for our RP103 cystinosis program, commencement of our NASH Phase 2b clinical trial, complete enrollment of our Huntington's disease Phase 2/3 clinical trial, and meeting critical financial objectives. Goals that were not met or only partially met were generally lower weighted goals, including a delay in the full enrollment of the HD clinical trial and the improvement of our stockholder base.

Fiscal Year 2012 Individual Goals

Our Chief Executive Officer's individual goals are identical to the corporate goals. Individual goals are proposed by each executive and reviewed by our Chief Executive Officer. After review and modification, if necessary, by our Compensation Committee, the goals are approved by our board of directors.

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In fiscal year 2012, a significant percentage of the value of the individual executive officer's goals was based on our performance against his/her goals which directly support our corporate goals. During fiscal year 2012, each executive officer made a significant contribution to the achievement of our corporate goals. The remaining value is based on achievement of goals which are more focused on needed achievements within the executive's areas of responsibility.

Each organizational level in the Company has a target percentage of the annual base salary for annual incentive bonus awards. Such awards are granted at the sole discretion of our board of directors, and can be modified based on multiple factors including our available financial resources, our overall performance and others. Bonuses are pro-rated for the time of service within the year. An employee must still be in active service at the time of our board's determination to be eligible to be paid an annual incentive bonus.

Awards can vary up to 125% of the target percentage based on assessment of the achievement of meaningful additional goals or sustained superior performance in the conduct of duties and responsibilities in the employee's position.

The percentages are set at 100% achievement of applicable corporate and individual goals. The target bonus percentages for our Named Executive Officers for fiscal year 2012 were as follows: Dr. Starr 40% of his annual base salary; Ms. Tsuchimoto and Mr. Reichenberger 27.5% each; and Mr. Daley and Dr. Rioux 30% each.

Fiscal Year 2012 Goal Achievements for Christopher M. Starr, Ph.D., Our Chief Executive Officer

Dr. Starr's annual incentive bonus equals 40% of base salary (the base salary target percentage) multiplied by a corporate achievement score of 78% equaled an annual incentive bonus of $112,000. The corporate achievement score of 78% reflects the judgment of the board of directors that the majority of the fiscal year 2012 goals as agreed in advance were met, as described above.

Fiscal Year 2012 Goal Achievements for Kim R. Tsuchimoto, Our Former Chief Financial Officer, Secretary and Treasurer (Currently VP, Finance)

Ms. Tsuchimoto had a major role in the achievement of our corporate financial goals. In recognition of this factor, corporate financial goals account for 50% of Ms. Tsuchimoto's fiscal year 2012 annual incentive bonus, while individual goals account for the remaining 50%. Ms. Tsuchimoto's annual incentive bonus (which target was up to 27.5% of her base salary) for fiscal year 2012 totaled $65,000 and was based upon achievement of 90% of the corporate financial goals and on the achievement of 100% of the following individual goals: establishment of European tax structure; continued development of strategic financial model by major product programs in accordance with project plan; and merging two holding companies in order to reduce Delaware taxes by December 2011.

Fiscal Year 2012 Goal Achievements for Ted Daley, Our Chief Business Officer

Mr. Daley had a major role in the achievement of our corporate goals. In recognition of this factor, corporate program goals account for 85% of Mr. Daley's fiscal year 2012 annual incentive bonus, while individual goals account for the remaining 15%. Mr. Daley's annual incentive bonus (which target was up to 30% of his base salary) for fiscal year 2012 totaled $65,000 and was based upon achieving 88% of his corporate goals and 33% of the following individual goals (representing an achievement score percentage of 80%): continued development of strategic financial model by major product programs in accordance with project plan (achieved); and obtain a second out-license partner for Convivia (not achieved).

Fiscal Year 2012 Goal Achievements for Patrice Rioux, M.D., Ph.D., Our Chief Medical Officer

Dr. Rioux had a major role in the achievement of our corporate goals. In recognition of this factor, corporate program goals account for 100% of Dr. Rioux's fiscal year 2012 annual incentive bonus. Dr. Rioux's annual incentive bonus (which target was up to 30% of his base salary) for fiscal year 2012 totaled $80,000 and was based upon achievement of 80% achievement of the corporate program goals (priority review was not obtained and HD full enrollment was achieved later than the goal date of December 2011).

Fiscal Year 2012 Goal Achievements for Patrick Reichenberger, Our Vice President, Commercial Operations

Mr. Reichenberger had a minor role in the achievement of our corporate program goals but achieved significant individual goals. Corporate program goals account for 15% of Mr. Reichenberger's fiscal year 2012 annual incentive bonus, while individual goals account for 85%. Mr. Reichenberger's annual incentive bonus (which target was up to 27.5% of his base salary) for fiscal year 2012 totaled $50,000 and was based upon achieving 100% of his corporate program goal of establishing a European headquarters and hiring a European General Manager of European commercial operations and on achieving 100% of the following individual goals (representing an achievement score percentage of 85%): setting up a patient registry by August 2012; establishing a reimbursement HUB for RP103 (RaptorCares™) by August 2012; commencing implementation of early-access, named patient program for cystinosis patients; continuing development of strategic financial model by major product programs in accordance with project plan; completing a European distribution agreement.

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In summary, after further qualitative discussion of the level of achievement for each Named Executive Officer, consideration of partial achievement of goals, assessments of adverse changes in environmental conditions which can change the difficulty of achievement of a goal, changes within the fiscal year of corporate operating strategy and priorities, and other factors, the board of directors awarded the following annual incentive bonuses to our Named Executive Officers:

Christopher M. Starr, Ph.D. Chief Executive Officer	$112,000
Kim R. Tsuchimoto, Former Chief Financial Officer	65,000
Ted Daley, President	65,000
Patrice P. Rioux, M.D., Ph.D., Chief Medical Officer	80,000
Patrick Reichenberger, VP, Commercial Operations	50,000

Four month transition period from September 1 to December 31, 2012

The target bonus percentages for our Named Executive Officers effective September 2012 are as follows: Dr. Starr 50% of his annual base salary; Ms. Erbez and Ms. Smith 40% each; Mr. Daley and Dr. Rioux 35% each and Ms. Tsuchimoto 27.5%. These target bonus percentages were increased (or were set for new executive officers) after review practices of our peer companies indicated that our previous percentages were not competitive with our peer company compensation practices and could contribute unfavorably to the competitive position of our Company.

Our corporate goals effective September 2012 are grouped into our major activities with the weighting shown.

Development of RP103 for Cystinosis (weighted 70%)

·NDA approval on PDUFA date;
·MAA approval Q3 2013;
·Meet patient enrollment goals for RaptorCares™ at U.S. approval and for EU patients in CRM;
·Launch in the U.S. as per schedule and achieve meaningful net revenue goals; and
·Obtain orphan exclusivity from FDA/EMA.

Finance (weighted 25%)

·End 2013 with cash balance equivalent to one year's projected cash burn; and
·Meet or exceed EBITDA goal for calendar 2013.

RP103 – Other (weighted 5%)

·Contract with second source supplier.

Dr. Starr's individual goals are 100% of the corporate goals. Ms. Erbez's individual goals include the Finance goals above plus metrics related to internal financial reporting, valuation analyses, internal controls, spending controls and information technology. Ms. Smith's individual goals include the RP103 - Other goal listed above plus goals related to revenue, reimbursement, patient identification, drug supply and program management. Mr. Daley's and Dr. Rioux's individual goals include the Cystinosis goals listed above, and for Mr. Daley also include goals related to cystinosis patient support and pricing initiatives and business development milestones. Dr. Rioux's individual goals also include initiating and reporting clinical studies in support of pricing, new markets and new indications for cysteamine and patient support initiatives. Ms. Tsuchimoto's individual goals include spending controls and improving internal financial reporting standards.

Corporate and individual goals are weighted based upon importance and impact to Raptor.

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Equity Incentive Programs (Currently Based on Stock Options)

We believe that equity grants provided to our executive officers (and all members of our team) create a strong link to our long-term financial and equity market performance, create an ownership culture, and closely align the interests of our executive officers with the interests of our stockholders. Because of the direct relationship between the value of an equity award and the future market price of our common stock, we believe that granting equity awards is the best method of motivating executive officers to manage in a manner that is consistent with our stockholders' and our Company's interests. In addition, we believe that the continuous vesting feature of our equity grants promotes executive officer (and staff) retention because this feature provides an incentive of potentially increasing value to our executive officers during the vesting period.

In determining the size of equity grants to our executive officers, our Compensation Committee considered: our performance; the applicable executive officer's performance; comparative competitive levels of equity compensation for similar peer companies; the vesting of such awards; the number of shares available under our 2010 Equity Incentive Plan, or the 2010 Plan, and projected future needs to support future staff growth; the recommendations of management and consultants; and external data sources which support a comparative competitive analyses.

With respect to newly hired executives, our practice is to include equity compensation (currently based on stock option grants) as an integral part of the compensation package for inclusion in the executive's employment agreement. The compensation package, including the stock option grant, is approved by a unanimous written consent executed by our board of directors. The executive's stock option exercise price is based upon the closing price the day preceding the later of board approval or the executive's first day of employment.

Under the 2010 Plan, we were initially authorized to grant up to an aggregate of 3,000,000 stock options or restricted stock or restricted stock units over the ten year life of the 2010 Plan. On April 7, 2011, our stockholders passed amendments to the 2010 Plan which allow for an increase of the grant pool based upon 5% of our common stock outstanding as of April 7, 2011, August 31, 2011 and August 31, 2012 up to an aggregate maximum increase of 6,000,000 shares. The April 7, 2011, August 31, 2011 and August 31, 2012 increases added 1,629,516, 1,778,459 and 2,528,407 shares, respectively, available for grant under the 2010 Plan. As of December 31, 2012, options to purchase 7,790,794 shares of our common stock were outstanding and 1,947,420 shares of our common stock remain available for future issuance under the 2010 Plan.

Stock Options. Stock options granted by us have an exercise price equal to the fair market value of our common stock on the day prior to grant, typically vest over a four-year period with 6/48ths vesting six months after the vesting commencement date and the remainder vesting ratably each month thereafter based upon continued employment or service, and generally expire ten years after the date of grant. Incentive stock options also include certain other terms necessary to assure compliance with the Internal Revenue Code of 1986, as amended, or the Code. In special, limited circumstances, we have granted stock options which vested 25% upon grant and 1/36th per month thereafter and expire 10 years from the grant date. Our annual grants to our non-employee directors vest 25% per quarter.

Restricted Stock and Restricted Stock Units. Our 2010 Plan authorizes us to grant restricted stock and restricted stock units. We have not issued restricted stock or restricted stock units under the 2010 Plan. The Compensation Committee reviews the relative advantages and disadvantages of restricted stock as a compensation alternative at each annual cycle and may issue restricted stock in the future depending on the analysis in the future.

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Fiscal Year Ended August 31, 2012

In September 2011, our Compensation Committee analyzed our equity compensation program compared to equity compensation in comparative companies. This analysis was a continuation of analysis performed by our Compensation Committee and board in 2010 based on input from investors, from their own professional experience, and from our own comparative analysis, that our equity compensation program was not competitive in our segment of the biopharmaceutical industry.

A brief outline of the comparative equity compensation study follows: The study was based on equity compensation comparisons between a group of 23 comparative companies and the Company. The selected comparative companies were companies whose common stock is traded on the NASDAQ or the NYSE/AMEX stock exchanges, had market capitalizations between approximately $35 million and $350 million, and were in the biopharmaceutical industry at approximately the same stage of development (development stage with products in development but without a commercial product base) as us. Compensation and stock data was extracted from public records for the 23 comparative companies and for us. The data was used to calculate the fully diluted number of common shares outstanding for each company and for each company's equity compensation program. Additional data was extracted for chief executive officer total and cash compensation and for the accumulated deficit for each company.

The companies whose data was used in the fiscal year 2012 comparative company analysis were:

Acadia	Neurocrine Biosciences	Zalicus
Amicus Therapeutics	NeurogesX	
Anadys Pharmaceuticals	Novavax	
ArQule	Omeros	
Avanir Pharmaceuticals	OncoGenex Pharmaceuticals	
Celldex Therapeutics	Oncothyreon	
Cytokinetics	Peregrine Pharmaceuticals	
CytRX Corporation	Stem Cells, Inc.	
Dynavax Technologies	Sunesis	
GenVec	Transcept Pharmaceuticals	
Inovio Pharmaceuticals	Vical	

The primary measurement for each company was the percent calculated by the fully diluted equity compensation common share equivalents (primarily stock options, restricted stock and restricted stock units, and stock options exercised) divided by the total fully diluted common shares outstanding (primarily common stock outstanding, stock options outstanding and warrants outstanding).

In percent of equity compensation divided by fully diluted common stock equivalents outstanding, we ranked 20 of the 24 comparative companies (including us) in the study; our percentage was 6.9% and the median percent was 9.75%. In terms of the current market capitalization divided by the accumulated deficit, we ranked first in this approximate measurement of the efficiency of the company in creating stockholder value.

After consideration of this analysis, which reflects our less than competitive position compared to peer or comparative companies, our Compensation Committee recommended that actions should be initiated to improve over time our equity compensation position to approximate the median value of the equity compensation programs of our peers. In line with our equity award program initiated in October 2010, we continue our initiative of granting additional stock options (in a proportional manner based on the recently reviewed 2011 annual awards) to officers, directors and staff to increase the potential future value of their equity compensation.

Our Compensation Committee plans to review the competitive equity compensation position of our Company annually. Actions, if any, will be based on the performance of our Company and individuals, available stock options for equity compensation, an updated competitive analysis and other factors.

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Fiscal Year 2012 Equity Compensation Award

On September 22, 2011, after a discussion of the equity compensation situation and alternatives, our board approved the recommendation of our Compensation Committee. With respect to our Named Executive Officers and our directors, our board awarded stock options relating to fiscal year 2012 to purchase up to the following number of shares at an exercise price of $5.13 per share, vesting 6/48ths on the 6 month anniversary of the grant date and 1/48th per month thereafter, with a 10 year expiry from grant date: Dr. Starr 345,048 shares; Ms. Tsuchimoto, Mr. Daley and Dr. Rioux 113,616 shares each; and Mr. Reichenberger 90,000 shares. In addition, our Named Executive Officers were awarded annual stock option grants to purchase up to the following number of shares: Dr. Starr 115,016 shares; Ms. Tsuchimoto, Mr. Daley and Dr. Rioux 37,872 shares each; and Mr. Reichenberger 20,000 shares. Dr. Starr did not participate in the discussion or approval of his option grant.

Also, the non-employee members of our board as of September 22, 2011 (Mr. Anderson, Dr. Bruhn, Dr. Franklin, Dr. Keltner, Mr. Sager, Mr. Samant and Mr. Walbert), were each granted options to purchase 90,000 shares with the same terms as executive officers, as outlined above. These grants were in addition to annual stock option grants to purchase up to the following number of shares: Dr. Franklin, Dr. Keltner and Mr. Sager 30,000 shares and Dr. Bruhn, Mr. Samant and Mr. Walbert 15,000 shares, all of which vest 25% upon grant and 1/36th per month thereafter.

The effect of the September 22, 2011 stock option grants was to make our equity compensation program more competitive by increasing the percentage of equity compensation to the fully diluted common share equivalents outstanding to 9.4% which was considered by the Company to be closer to the target of the 9.75% median percentage.

In summary, during the fiscal year ended August 31, 2012, our Named Executive Officers were awarded stock options in the amounts indicated below. All options granted to our Named Executive Officers are intended to be qualified stock options as defined under Section 422 of the Code to the extent possible.

Christopher M. Starr, Ph.D. Chief Executive Officer and Director	460,064
Kim R. Tsuchimoto, Former Chief Financial Officer, Secretary and Treasurer (currently VP, Finance)	151,488
Ted Daley, President	151,488
Patrice P. Rioux, M.D., Ph.D., Chief Medical Officer	151,488
Patrick Reichenberger, VP, Commercial Operations	110,000

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Four month transition period from September 1 to December 31, 2012

Equity Compensation Award

In September 2012, our Compensation Committee engaged Compensia, an independent compensation consulting firm to analyze our equity compensation program for our Named Executive Officers compared to equity compensation of equivalent named executive officers in comparative companies as discussed above in the section Base Salary – four month transition period from September 1 to December 31, 2012.

On September 25, 2012, after a discussion and review of Compensia's compensation report, our board approved the recommendation of our Compensation Committee to implement Compensia's results. With respect to our Named Executive Officers and our directors, our board awarded stock options relating to fiscal year 2013 to purchase up to the following number of shares at an exercise price of $5.49 per share, vesting 6/48ths on the 6 month anniversary of the grant date and 1/48th per month thereafter, with a 10 year expiry from grant date: Dr. Starr 150,000 shares; Mr. Daley and Dr. Rioux 67,000 shares each. Since Ms. Erbez and Ms. Smith were hired on September 10, 2012, and had received new hire stock options, no other incentive options were granted to either of them. Dr. Starr did not participate in the discussion or approval of his option grant.

Also, the non-employee members of our board as of September 25, 2012 (Mr. Anderson, Dr. Bruhn, Dr. Franklin, Dr. Keltner, Mr. Sager, Mr. Samant and Mr. Walbert), were each granted options to purchase 50,000 shares which vest 25% per quarter.

In summary, during the four months ended December 31, 2012, our Named Executive Officers were awarded stock options in the amounts indicated below. All options granted to our Named Executive Officers are intended to be qualified stock options as defined under Section 422 of the Code to the extent possible.

Christopher M. Starr, Ph.D. Chief Executive Officer and Director	150,000
Julie Anne Smith, EVP, Chief Operations Officer	190,000
Georgia Erbez, Chief Financial Officer, Secretary and Treasurer	190,000
Kim R. Tsuchimoto, Former Chief Financial Officer, Secretary and Treasurer (currently VP, Finance)	39,000
Ted Daley, Chief Business Officer	67,000
Patrice P. Rioux, M.D., Ph.D., Chief Medical Officer	67,000

Perquisites

Broad-based benefit plans are an integral component of competitive executive compensation packages. Our benefits include a 401(k) savings plan with the Company matching provisions (when such matching is financially viable), healthcare benefits such as medical, dental, and vision plans, and disability and life insurance benefits. We have no structured perquisite benefits, and do not provide any deferred compensation programs or supplemental pensions to any executives. At its discretion, our Compensation Committee may revise, amend or add to the executive's benefits if it deems it advisable.

During our fiscal year ended August 31, 2012 and our four month period from September 1 to December 31, 2012, our executives did not receive any perquisites and were not entitled to benefits that are not otherwise available to all of our employees. In addition, we did not provide pension arrangements, post-retirement health coverage or similar benefits for our executives or employees.

Defined Contribution Plan

We maintain a qualified retirement plan pursuant to Code Sections 401(a) and 401(k) covering substantially all employees, subject to certain minimum age and service requirements, herein referred to as our 401(k) Plan. Our 401(k) Plan allows employees to make voluntary pre-tax contributions. The assets of the 401(k) plan are held in trust for participants and are distributed upon the retirement, disability, death or other termination of employment of the participant.

Employees who participate in our 401(k) Plan may contribute to their 401(k) account up to the maximum amount that varies annually in accordance with the Code. We also make available to 401(k) plan participants the ability to direct the investment of their 401(k) accounts in a well-balanced spectrum of various investment funds.

At our discretion, we provide for a 401(k) Company matching in the amount of 100% of the first 3% of salary that an employee defers and 50% of the next 2% of salary that an employee defers, in compliance with the Internal Revenue Service's Safe Harbor rules.

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Summary Compensation Table

Fiscal Year Ended August 31, 2012

The following table reports summary compensation information for the following individuals, referred to as our Named Executive Officers : (1) Raptor's principal executive officer (Chief Executive Officer) during our fiscal year ended August 31, 2012; (2) Raptor's principal financial officer (Chief Financial Officer) during our fiscal year ended August 31, 2012; and (3) our three most highly compensated executive officers other than the principal executive officer or principal financial officer who were serving as executive officers as of the end of our fiscal year ended August 31, 2012.

Name and Principal Position	Fiscal Year Ended August 31,	Salary ($)	Option Awards (1)($)	Non-Equity Incentive Plan Compensation ($)(2)	All Other Compensation ($)(3)	Total ($)
Christopher M. Starr, Ph.D.	2012	356,807	794,425	112,000	14,953	1,278,185
Chief Executive Officer and Director	2011	346,415	489,813	111,996	15,976	964,200
	2010	277,200	8,827	68,280	1,266	355,573
Kim R. Tsuchimoto	2012	255,465	278,325	65,000	13,739	612,529
Former Chief Financial Officer, Secretary and Treasurer (Currently, VP, Finance)	2011	248,024	166,982	52,404	11,816	479,226
	2010	240,800	11,968	68,100	1,286	322,154
Ted Daley	2012	265,458	286,623	65,000	14,848	631,929
President, Raptor Therapeutics	2011	250,432	182,800	61,839	12,013	507,084
	2010	240,800	25,992	78,100	1,234	346,126
Patrice P. Rioux, M.D., Ph.D.	2012	321,041	278,390	80,000	15,738	695,169
Chief Medical Officer, Raptor Therapeutics	2011	298,480	160,437	67,681	13,436	540,034
	2010	283,208	47,074	25,000	1,678	356,960
Patrick Reichenberger (4)	2012	234,600	188,937	50,000	1,735	475,272
VP, Commercial Operations, Raptor Therapeutics	2011	153,333	49,289	47,969	553	251,144
	2010	–	–	–	–	–

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(1) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the fiscal years ended August 31, 2012, 2011 and 2010 for the fair value of the stock options granted to each of our Named Executive Officers since inception, in accordance with ASC Topic 718. For additional information on the valuation assumptions with respect to the fiscal years ended August 31, 2012, 2011 and 2010, please refer to the notes in our consolidated financial statements included elsewhere in the Form 10-KT. These amounts reflect our accounting expense for these awards, and do not correspond to the actual value, if any, that will be realized by our Named Executive Officers.

(2) Cash bonuses for fiscal year 2012 include accruals of bonuses paid in October 2012 based upon milestones achieved by us for the fiscal year ended August 31, 2012. Cash bonuses for fiscal year 2011 include accruals of bonuses paid in September 2011 based upon milestones achieved by us for the fiscal year ended August 31, 2011. Cash bonuses for fiscal year 2010 include accruals of bonuses paid in October 2010 based upon milestones achieved by us for the period March 1, 2010 through August 31, 2010 of $41,580 for Dr. Starr, $30,100 for Ms. Tsuchimoto and $30,100 for Mr. Daley. Also in consideration of his agreement to cancel the last two potential milestone stock option bonuses in his April 2009 offer letter, Dr. Rioux was paid a $25,000 bonus in November 2010. Also included in the bonuses for fiscal year 2010 are bonuses paid in March 2010, based upon milestones achieved by us during the period from September 1, 2009 through February 28, 2010 of $26,700 to Dr. Starr, $38,000 to Ms. Tsuchimoto and $38,000 to Mr. Daley. In addition, Mr. Daley earned a $10,000 bonus in fiscal year 2010 resulting from the execution of a licensing agreement with Uni Pharma for the development of Convivia TM in Taiwan in July 2010 pursuant to his employment agreement.

(3) All Other Compensation includes 401(k) matching funded by us, life insurance premiums paid by us where the executive is the beneficiary and employee-taxable commuting benefits.

(4) Mr. Reichenberger commenced his employment on January 3, 2011.

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Four month transition period from September 1 to December 31, 2012

The following table reports summary compensation information for the following individuals, referred to as our Named Executive Officers : (1) Raptor's principal executive officer (Chief Executive Officer) during the four month period from September 1 to December 31, 2012; (2) each person serving as Raptor's principal financial officer (Chief Financial Officer) during the four month period from September 1 to December 31, 2012; and (3) our three most highly compensated executive officers other than the principal executive officer or principal financial officer who were serving as executive officers as of the end of our year ended December 31, 2012.

Name and Principal Position	Period	Salary ($)	Option Awards (1)($)	Non-Equity Incentive Plan Compensation ($)(2)	All Other Compensation ($)(3)	Total ($)
Christopher M. Starr, Ph.D. Chief Executive Officer and Director	September 1 to December 31, 2012	136,667	308,922	–	4,017	449,606
Georgia Erbez (4) Chief Financial Officer, Secretary and Treasurer	September 10 to December 31, 2012	103,125	53,958	–	1,844	158,927
Kim R. Tsuchimoto (4) Former Chief Financial Officer, Secretary and Treasurer (currently VP, Finance)	September 1 to December 31, 2012	85,155	106,509	20,000	6,034	217,698
Julie Anne Smith (4) EVP, Strategy, Chief Operations Officer	September 10 to December 31, 2012	109,375	53,958	–	2,280	165,613
Patrice P. Rioux, M.D., Ph.D. Chief Medical Officer	September 1 to December 31, 2012	112,767	114,766	–	5,106	232,639
Ted Daley Chief Business Officer	September 1 to December 31, 2012	97,333	114,753	–	6,558	218,644

(1) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the four months ended December 31, 2012 for the fair value of the stock options granted to each of our Named Executive Officers since inception, in accordance with ASC Topic 718. For additional information on the valuation assumptions with respect to the four months ended December 31, 2012, please refer to the notes in our consolidated financial statements included elsewhere in the Form 10-KT. These amounts reflect our accounting expense for these awards, and do not correspond to the actual value, if any, that will be realized by our Named Executive Officers.

(2) As of December 31, 2012, bonuses for the four months ended December 31, 2012 have been estimated and accrued for financial reporting purposes. Achievement of targets and awarding of bonuses will occur later in the 2013.

(3) All Other Compensation includes 401(k) matching funded by us, life insurance premiums paid by us where the executive is the beneficiary and employee-taxable commuting benefits.

(4) Ms. Erbez and Ms. Smith commenced employment on September 10, 2012 and Ms. Tsuchimoto was appointed VP, Finance on September 10, 2012.

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Employment Agreements

Dr. Starr entered into an employment agreement with our wholly owned subsidiary, Raptor Discoveries, in May 2006. Dr. Starr's employment agreement described below is currently still in effect.

Dr. Starr's employment agreement had an initial term of three years commencing on May 1, 2006, and automatically renews for additional one year periods unless either party under such agreement notifies the other that the term will not be extended. Under his agreement, Dr. Starr is entitled to an annual salary of $150,000, which may be increased from time to time in the discretion of our board of directors, and stock options to purchase 58,281 shares of our common stock at an exercise price of $2.83 per share, which vested over three years with a six month cliff vest and expires 10 years from grant date. Dr. Starr's annual salary is subject to annual review and potential increase by our board of directors. In addition, he is eligible for annual bonuses based upon our annual bonus compensation program. Information regarding Dr. Starr's annual salary and bonus received during the year ended August 31, 2012 are described below under the headings "Annual Incentive Cash Bonuses" and "Equity Incentive Programs (Currently Based on Stock Options)" above. Dr. Starr's employment agreement was amended effective as of January 1, 2009 for purposes of bringing his employment agreement into compliance with the applicable provisions of Section 409A of the Code and the Treasury Regulations and interpretive guidance issued thereunder.

In September 2012, we appointed Georgia L. Erbez as our Chief Financial Officer and, we entered into an employment agreement with Ms. Erbez, or the Erbez Employment Agreement, dated September 10, 2012. The Erbez Employment Agreement has an initial term of three years commencing on September 10, 2012, and renews automatically for successive one year periods, unless either party provides notice to the other terminating the agreement. Under the Erbez Employment Agreement, Ms. Erbez is entitled to an annual salary of $330,000, the amount of which may be increased from time to time in the discretion of our board of directors, and stock options to purchase 190,000 shares of our common stock at the closing price on September 7, 2012, the business day preceding the date of grant. These stock options vest 6/48ths on the six-month anniversary of such grant and 1/48th per month thereafter and expire ten years from date of grant. In addition, Ms. Erbez is eligible for annual and discretionary cash bonuses as determined by our board of directors, provided, however, that Ms. Erbez must be employed on the date any such bonus actually is paid in order to be eligible to receive such bonus. The annual discretionary bonus has a target payment of 40% of Ms. Erbez's base salary for the year in question.

On September 10, 2012, we entered into an employment agreement with Julie A. Smith naming her its Executive Vice President, Strategy, and Chief Operating Officer. The agreement provides for similar terms as the Erbez Employment Agreement, except for the following terms. Under the agreement, Ms. Smith is entitled to an annual salary of $350,000, the amount of which may be increased from time to time in the discretion of our board of directors, and stock options to purchase 190,000 shares of our common stock at the closing price on September 7, 2012, the business day preceding the date of grant. Further, Raptor Therapeutics will reimburse Ms. Smith for reasonable relocation expenses, not to exceed in the aggregate, $50,000, and commuting expenses related to the performance of Ms. Smith's duties until the earlier of August 31, 2013 or the date Ms. Smith moves her primary residence to the San Francisco Bay Area.

Kim R. Tsuchimoto entered into an employment agreement with our wholly owned subsidiary, Raptor Discoveries, in May 2006, or the Prior Tsuchimoto Employment Agreement. The Prior Tsuchimoto Employment Agreement was in effect throughout the fiscal year ended August 31, 2012. As of September 10, 2012, Ms. Tsuchimoto was appointed our Vice President, Finance, and we entered into a new employment agreement with Ms. Tsuchimoto, or the Current Tsuchimoto Employment Agreement.

The Prior Tsuchimoto Employment Agreement had an initial term of three years commencing on May 1, 2006, and automatically renewed for additional one year periods unless either party under such agreement notifies the other that the term will not be extended. Under the Prior Tsuchimoto Employment Agreement, Ms. Tsuchimoto was entitled to

an annual salary of $160,000, which could be increased from time to time in the discretion of our board of directors, and stock options to purchase 58,281 shares of our common stock at an exercise price of $2.57 per share, which vested over three years with a six month cliff vest and expires 10 years from grant date. The Prior Tsuchimoto Employment Agreement provided that Ms. Tsuchimoto's annual salary was subject to annual review and potential increase by our board of directors. In addition, Ms. Tsuchimoto was eligible for annual bonuses based upon our annual bonus compensation program. Information regarding Ms. Tsuchimoto's annual salary and bonus received during the year ended August 31, 2012 are described below under the headings "Annual Incentive Cash Bonuses" and "Equity Incentive Programs (Currently Based on Stock Options)" above. The Prior Tsuchimoto Employment Agreement was amended effective as of January 1, 2009 for purposes of bringing her employment agreement into compliance with the applicable provisions of Section 409A of the Code and the Treasury Regulations and interpretive guidance issued thereunder.

The Current Tsuchimoto Employment Agreement reflects Ms. Tsuchimoto's appointment as the Company's Vice President, Finance and provides for similar terms as the Prior Tsuchimoto Employment Agreement, except for the following terms. Under the Current Tsuchimoto Employment Agreement, Ms. Tsuchimoto is entitled to an annual salary of $255,465, the amount of which may be increased from time to time in the discretion of our board of directors. Ms. Tsuchimoto was paid a one-time bonus of $20,000 pursuant to the agreement. In addition, all of Ms. Tsuchimoto's remaining unexercised options granted on May 26, 2006, to purchase 47,021 shares of our common stock remain exercisable until expiration of the options on May 26, 2016, so long as Ms. Tsuchimoto remains employed with us through the six month anniversary of the agreement.

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On September 7, 2007, our wholly-owned subsidiary, Raptor Therapeutics, entered into an employment agreement with Ted Daley for a term of 18 months which automatically renews for additional one year periods unless either party under such agreement notifies the other that the term will not be extended. Under Mr. Daley's agreement, Mr. Daley is entitled to an annual salary of $150,000 and stock options to purchase 34,969 shares of our common stock at an exercise price of $2.23 per share, which vest over four years with a six month cliff vest and expire 10 years from grant date. In August 2008, RPC's compensation committee recommended, and its board of directors approved, a stock option grant to Mr. Daley for the purchase of 23,313 shares of our common stock at an exercise price of $1.88 per share, which vests 6/48ths upon the six-month anniversary of the grant date and 1/48th per month thereafter and expires ten years from the grant date. Mr. Daley's 2008 stock options were granted in order to increase his initial employment stock option grant to be equal to the stock option grants of our other executive officers. Mr. Daley's annual salary is subject to annual review and potential increase by our board of directors. Pursuant to Mr. Daley's employment agreement, Mr. Daley is eligible to receive certain cash bonuses based on triggering events related to the successful development of our Convivia™ product development program. In addition, Mr. Daley is eligible for annual bonuses based upon our annual bonus compensation program. Information regarding Mr. Daley's annual salary and bonuses received during the year ended August 31, 2012 are described below under the headings "Annual Incentive Cash Bonuses" and "Equity Incentive Programs (Currently Based on Stock Options)" above. Mr. Daley's employment agreement was amended effective as of January 1, 2009 for purposes of bringing his employment agreement into compliance with the applicable provisions of Section 409A of the Code and the Treasury Regulations and interpretive guidance issued thereunder.

In April 2009, Raptor Therapeutics executed an employment arrangement with Dr. Rioux with an annual base salary of $280,000 and stock options to purchase 34,969 shares of our common stock at an exercise price of $0.85 per share, which vest over four years with a six month cliff vest and expire 10 years from grant date. Dr. Rioux's annual salary is subject to annual review and potential increase by our board of directors. In addition, Dr. Rioux is eligible for annual bonuses based upon our annual bonus compensation program. Information regarding Dr. Rioux's annual salary and bonuses received during the year ended August 31, 2012 are described below under the headings "Annual Incentive Cash Bonuses" and "Equity Incentive Programs (Currently Based on Stock Options)" above.

In January 2011, Raptor Therapeutics executed an employment arrangement with Patrick Reichenberger with an annual base salary of $230,000. Mr. Reichenberger also earned a $10,000 sign-on bonus and is eligible for an annual bonus based upon our annual bonus compensation program. Mr. Reichenberger was granted stock options to purchase up to 120,000 shares of our common stock at an exercise price of $3.52 which vest over four years with a six month cliff vest and expire 10 years from grant date. Information regarding Mr. Reichenberger's annual salary and bonuses received during the year ended August 31, 2012 are described below under the headings "Annual Incentive Cash Bonuses" and "Equity Incentive Programs (Currently Based on Stock Options)" above.

If Dr. Starr's employment is constructively terminated or terminated by us without cause, including in the event of a change of control, then he will be entitled to continue to receive his base salary, bonus and other benefits for a period of 12 months from the date of termination. In addition, if the termination occurs after a change of control, all of Dr. Starr's vested and unvested options to purchase our stock are immediately exercisable in full. If Ms. Erbez's, Ms. Smith's or Ms. Tsuchimoto's employment is constructively terminated or terminated by us without cause not during the 12 months following a change in control, she will be entitled to continue to receive her base salary and other certain benefits for 12 months after such termination. In addition, all of her vested options or stock appreciation rights with respect to our common stock will remain exercisable until the first anniversary of the termination of her employment, and all shares of our common stock owned by her will immediately be released from any and all resale or repurchase rights restrictions. If Ms. Erbez, Ms. Smith or Ms. Tsuchimoto is terminated without cause or is constructively terminated by us within the 12 months following a change in control, in addition to the payments described in the preceding two sentences, all of her unvested equity and equity-based awards (including stock options) will vest immediately and will remain exercisable until the second anniversary of the termination of employment. Additionally, she will be entitled to a lump sum payment equal to the average of the annual bonus payments received

by her in the two years preceding the year of termination. If Mr. Reichenberger's, Dr. Rioux's or Mr. Daley's employment is constructively terminated or terminated by us without cause, including in the event of a change of control, then such officer will be entitled to continue to receive his base salary and certain other benefits for a period of six months from the date of termination.

If any officer's employment is terminated for cause, by death or due to a voluntary termination, we shall pay to such officer, or in the case of termination due to death, his or her estate, the compensation and benefits payable through the date of termination or, in the case of Ms. Erbez, Ms. Smith and Ms. Tsuchimoto, if such officer's employment is terminated by death, through the third month anniversary of termination.

If any officer's employment is terminated due to disability, we shall pay to such officer the compensation and benefits payable through the date of termination. Except for Mr. Reichenberger and Dr. Rioux, we shall continue to pay such officer's salary for three months following such termination, at the end of which time such officer may be entitled to receive short-term and eventually long-term disability benefits, subject to the terms of and pursuant to our then current disability insurance plans. In addition, Dr. Starr is entitled a prorated bonus for three months following such termination.

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Annual Incentive Cash Bonuses

In September 2012, our Compensation Committee recommended and our board approved cash bonuses for achievements during our fiscal year ended August 31, 2012. Corporate goal achievements included: Filing the NDA and MAA by March 2012, responding to FDA and EMA requests within regulatory deadlines, obtaining priority review from the FDA/EMA, establish European headquarters by May 2012, initiate the NASH Phase 2b trial by November 2011, complete HD Phase 2/3 enrollment by December 2011, manage cash burn of $32 million for planned operations for fiscal year 2012, finance the company in order to maintain a cash balance of approximately $40 to $42 million at end of fiscal year 2012 and improve stockholder base by increasing the ownership percentage of target stockholder groups by 5% over the percentage at the start of fiscal year 2012. Along with corporate goals, each officer (other than Dr. Starr who was only measured against corporate goals) was benchmarked against individual goal achievement. The following cash bonuses were approved and paid to our Named Executive Officers in October 2012: Dr. Starr $112,000; Ms. Tsuchimoto $65,000; Mr. Daley $65,000; Dr. Rioux $80,000; and Mr. Reichenberger $50,000.

Stock Option Grants and Exercises

During our Fiscal Year Ended August 31, 2012

Grants of Plan-Based Awards Table

The following table sets forth information concerning stock option grants made during our fiscal year ended August 31, 2012 to our Named Executive Officers named in the "Summary Compensation Table" for the fiscal year ended August 31, 2012 above. The fair value information in the far right column is for illustration purposes only and is not intended to predict the future price of our common stock. The actual future value of such stock options will depend on the market value of our common stock.

		Estimated Future Payouts Under Non-Equity Incentive Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock	All Other Option Awards: Number of Securities Underlying	Exercise or Base Price of Option	Grant Date Fair Value of Stock and Option
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold ($)	Target ($)	Maximum ($)	Or Units (#)	Options (#) (1)	Awards ($/Sh)	Awards ($) (2)
Christopher M. Starr, Ph.D.	9/22/2011	—	—	—	—	—	—	—	460,064	5.13	457,213
Kim R. Tsuchimoto	9/22/2011	—	—	—	—	—	—	—	151,488	5.13	168,466
Ted Daley	9/22/2011	—	—	—	—	—	—	—	151,488	5.13	168,466
Patrice P. Rioux, M.D., Ph.D.	9/22/2011	—	—	—	—	—	—	—	151,488	5.13	168,466
Patrick Reichenberger	9/22/2011	—	—	—	—	—	—	—	110,000	5.13	113,468

(1)

Stock options vest 6/48ths on the six-month anniversary of the grant date and 1/48th per month thereafter. All options expire 10 years from their respective grant dates.

(2) This column represents the dollar amount recognized for financial statement reporting purposes with respect to our year ended August 31, 2012 for the fair value of the stock options granted to each of our Named Executive Officers in the fiscal year ended August 31, 2012 in accordance with ASC Topic 718. These amounts reflect our accounting expense for these awards, and do not correspond to the actual value, if any, that will be realized by our Named Executive Officers.

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During the transition period from September 1 to December 31, 2012

Grants of Plan-Based Awards Table

The following table sets forth information concerning stock option grants made during the four month period from September 1 to December 31, 2012 to our Named Executive Officers named in the "Summary Compensation Table" for the four month transition period ended December 31, 2012 above. The fair value information in the far right column is for illustration purposes only and is not intended to predict the future price of our common stock. The actual future value of such stock options will depend on the market value of our common stock.

		Estimated Future Payouts Under Non-Equity Incentive Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock	All Other Option Awards: Number of Securities Underlying	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option
Name	Grant Date	Thres hold ($)	Target ($)	Maximum ($)	Threshold ($)	Target ($)	Maximum ($)	Or Units (#)	Options (#) (1)	($/Sh)	Awards ($) (2)
Christopher M. Starr, Ph.D.	9/25/2012	—	—	—	—	—	—	—	150,000	5.49	37,297
Georgia Erbez	9/10/2012	—	—	—	—	—	—	—	190,000	5.27	53,958
Kim R. Tsuchimoto	9/25/2012	—	—	—	—	—	—	—	39,000	5.49	11,474
Julie Anne Smith	9/21/2012	—	—	—	—	—	—	—	190,000	5.27	53,958
Patrice P. Rioux, M.D., Ph.D.	9/25/2012	—	—	—	—	—	—	—	67,000	5.49	19,717
Ted Daley	9/25/2012	—	—	—	—	—	—	—	67,000	5.49	19,717

(1) Stock options vest 6/48ths on the six-month anniversary of the grant date and 1/48th per month thereafter. All options expire 10 years from their respective grant dates.

(2) This column represents the dollar amount recognized for financial statement reporting purposes with respect to our four month period ended December 31, 2012 for the fair value of the stock options granted to each of our Named Executive Officers for fiscal year 2013 in the four month period ended December 31, 2012 in accordance with ASC Topic 718. These amounts reflect our accounting expense for these awards, and do not correspond to the actual value, if any, that will be realized by our Named Executive Officers.

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Outstanding Equity Awards

Fiscal Year Ended August 31, 2012

The following table sets forth certain information with respect to outstanding stock option awards of our Named Executive Officers for the fiscal year ended August 31, 2012.

	Option Awards					
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable		Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
Christopher M. Starr, Ph.D.	38,111 (1)	–		–	2.83	5/26/2016
	34,089 (3)	12,661	(3)	–	2.02	3/9/2020
	82,666 (3)	89,858	(3)	–	2.97	10/12/2020
	237,224 (5)	107,830	(5)	–	3.54	11/22/2020
	105,429 (2)	354,635	(2)	–	5.13	9/22/2021
Kim R. Tsuchimoto	46,832 (1)	–		–	2.57	5/26/2016
	15,281 (20	–		–	2.57	6/14/2017
	13,782 (3)	5,118	(3)	–	2.02	3/9/2020
	27,219 (3)	29,589	(3)	–	2.97	10/12/2020
	78,110 (5)	35,506	(5)	–	3.54	11/22/2020
	34,714 (2)	116,774	(2)	–	5.13	9/22/2021
Ted Daley	34,969 (2)	–		–	2.23	9/10/2017
	23,313 (2)	–		–	1.88	8/12/2018
	13,782 (3)	5,118	(3)	–	2.02	3/9/2020
	27,219 (3)	29,589	(3)	–	2.97	10/12/2020
	78,110 (5)	35,506	(5)	–	3.54	11/22/2020
	34,714 (2)	116,774	(2)	–	5.13	9/22/2021
Patrice P. Rioux, M.D., Ph.D.	3,643 (2)	5,829	(2)	–	0.85	4/16/2019
	11,656 (4)	–		–	1.66	3/30/2020
	11,656 (4)	–		–	3.05	6/28/2020
	27,219 (3)	29,589	(3)	–	2.97	10/12/2020
	78,110 (5)	35,506	(5)	–	3.54	11/22/2020
	34,714 (2)	116,774	(2)	–	5.13	9/22/2021
Patrick Reichenberger	47,499 (2)	72,501	(2)	–	3.52	1/4/2021
	25,207 (5)	84,793	(5)	–	5.13	9/22/2021

(1) Stock options vest 6/36ths on the six month anniversary of grant date and 1/36th per month thereafter.
(2) Stock options vest 6/48ths on the six month anniversary of grant date and 1/48th per month thereafter.
(3) Stock options vest 6/48ths on grant date and 1/48th per month thereafter.
(4) Stock options vest 100% upon grant date.
(5) Stock options vest 25% immediately and the remaining 75% vests 1/36th per month.

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Four month transition period from September 1 to December 31, 2012

The following table sets forth certain information with respect to outstanding stock option awards of our Named Executive Officers for the four month period from September 1 to December 31, 2012:

	Option Awards						
Name	Number of Securities Underlying Unexercised Options (#) Exercisable		Number of Securities Underlying Unexercised Options (#) Unexercisable		Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
Christopher M. Starr, Ph.D.	29,140	(1)	–		–	2.83	5/26/2016
	26,783	(3)	8,765	(3)	–	2.02	3/9/2020
	97,042	(3)	75,482	(3)	–	2.97	10/12/2020
	265,978	(5)	79,076	(5)	–	3.54	11/22/2020
	143,768	(2)	316,296	(2)	–	5.13	9/22/2021
	–	(2)	150,000	(2)	–	5.49	9/25/2022
Georgia Erbez	–	(2)	190,000	(2)	–	5.27	9/10/2022
Kim R. Tsuchimoto	43.273	(2)	–		–	2.57	5/26/2016
	13.988	(2)	–		–	2.57	6/14/2017
	13.092	(3)	3,544	(3)	–	2.02	3/9/2020
	31,953	(3)	24,855	(3)	–	2.97	10/12/2020
	87,578	(5)	26,038	(5)	–	3.54	11/22/2020
	47,338	(2)	104,150	(2)	–	5.13	9/22/2021
	–	(2)	39,000	(2)	–	5.49	9/22/2022
Julie Anne Smith	–	(2)	190,000	(2)	–	5.27	9/10/2022
Ted Daley	34,969	(2)	–		–	2.23	9/10/2017
	23,313	(2)	–		–	1.88	8/12/2018
	15,356	(3)	3,544	(3)	–	2.02	3/9/2020
	31,953	(3)	24,855	(3)	–	2.97	10/12/2020
	87,578	(5)	26,038	(5)	–	3.54	11/22/2020
	47,338	(2)	104,150	(2)	–	5.13	9/22/2021
	–	(2)	67,000	(2)	–	5.49	9/25/2022
Patrice P. Rioux, M.D., Ph.D.	6,557	(2)	2,915	(2)	–	0.85	4/16/2019
	11,656	(4)	–		–	1.66	3/30/2020
	11,656	(4)	–		–	3.05	6/28/2020
	31,953	(3)	24,855	(3)	–	2.97	10/12/2020
	87,578	(5)	26,038	(5)	–	3.54	11/22/2020

47,338	(2)	104,150	(2)	–	5.13	9/22/2021
–	(2)	67,000	(2)	–	5.49	9/25/2022

(1) Stock options vest 6/36ths on the six month anniversary of grant date and 1/36th per month thereafter.
(2) Stock options vest 6/48ths on the six month anniversary of grant date and 1/48th per month thereafter.
(3) Stock options vest 6/48ths on grant date and 1/48th per month thereafter.
(4) Stock options vest 100% upon grant date.
(5) Stock options vest 25% immediately and the remaining 75% vests 1/36th per month.

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Options Exercised

Fiscal year ended August 31, 2012

The following table sets forth the number and value of options exercised during our fiscal year ended August 31, 2012 for each of the Named Executive Officers.

	Option Awards	
Name	Number of Shares Acquired on Exercise(#)	Value Realized on Exercise ($)(1)
Christopher M. Starr, Ph.D. (2)	20,170	67,199
Kim R. Tsuchimoto (2)	14,236	32,416
Patrice P. Rioux, M.D., Ph.D.	25,497	136,409

(1) The value realized upon exercise of stock options reflects the price at which shares acquired upon exercise of the stock options were sold or valued for income tax purposes, net of the exercise price for acquiring the shares.

(2) The transactions for each of Dr. Starr and Ms. Tsuchimoto were made pursuant to a Rule 10b5-1 trading plan adopted by the reporting person.

Four month transition period from September 1 to December 31, 2012

The following table sets forth the number and value of options exercised during the four month period from September 1, 2012 to December 31, 2012 for each of the Named Executive Officers.

	Option Awards	
Name	Number of Shares Acquired on Exercise(#)	Value Realized on Exercise ($)(1)
Christopher M. Starr, Ph.D. (2)	20,173	63,712

(1) The value realized upon exercise of stock options reflects the price at which shares acquired upon exercise of the stock options were sold or valued for income tax purposes, net of the exercise price for acquiring the shares.

(2) The transactions of Dr. Starr were made pursuant to a Rule 10b5-1 trading plan adopted by Dr. Starr.

Executive Payments Upon Termination

Change in control arrangements are designed to retain executives and provide continuity of management in the event of a change in control. These agreements are described in more detail elsewhere in this Transition Report on Form 10-KT, including the sections titled "Annual Incentive Cash Bonuses," "Employment Agreements," and "Equity Incentive Programs (Currently Based on Stock Options)" above.

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Fiscal year ended August 31, 2012

The following table quantifies the amounts that we would owe each of our Named Executive Officers upon each of the termination triggers discussed above under "Employment Agreements," assuming a termination date of August 31, 2012:

Christopher M. Starr, Ph.D.

Chief Executive Officer and Director

Executive Benefits and Payments Upon Termination	Disability	Death	Termination Without Cause or Constructive Termination	CIC Termination Without Cause or Constructive Termination (1)
Base Salary	$89,202 (3)	$ –	$ 356,807 (2)	$ 356,807 (2)
Short-Term Incentive	28,000 (4)	–(4)	112,000 (5)	112,000 (5)
Value of Unvested Equity Awards and Accelerated Vesting Stock	–	–	–	1,841,393 (6)
Total	$117,202	$ –	$ 468,807	$ 2,310,200

(1) "CIC" means change in control, as defined in the officer's employment agreement.
(2) 12 months base salary.
(3) 3 months base salary.
(4) Pro rata bonus.
(5) Full cash bonus otherwise payable.
(6) Vesting of all stock options granted in accordance with ASC Topic 718. This amount reflects our accounting expense for these awards, and does not correspond to the actual value, if any, that will be realized by the officer.

Kim R. Tsuchimoto

Former Chief Financial Officer, Secretary and Treasurer (Currently VP, Finance)

Executive Benefits and Payments Upon Termination	Disability	Death	Termination Without Cause or Constructive Termination	CIC Termination Without Cause or Constructive Termination (1)
Base Salary	$63,866 (3)	$ –	$ 255,465 (2)	$ 255,465 (2)
Short-Term Incentive	16,250 (4)	–(4)	65,000 (5)	65,000 (5)
Value of Unvested Equity Awards and Accelerated Vesting Stock	–	–	–	616,019 (6)
Total	$80,116	$ –	$ 320,465	$ 936,484

(1) "CIC" means change in control, as defined in the officer's employment agreement.
(2) 12 months base salary.
(3) 3 months base salary.
(4) Pro rata bonus.
(5) Full cash bonus otherwise payable.
(6) Vesting of all stock options granted in accordance with ASC Topic 718. This amount reflects our accounting expense for these awards, and does not correspond to the actual value, if any, that will be realized by the officer.

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Ted Daley

Chief Business Officer

Executive Benefits and Payments Upon Termination	Disability	Death	Termination Without Cause or Constructive Termination	CIC Termination Without Cause or Constructive Termination (1)
Base Salary	$ 66,365	$ –	$ 132,729 (2)	$ 132,729 (2)
Short-Term Incentive	16,250 (4)	–(4)	65,000 (5)	65,000 (5)
Value of Unvested Equity Awards and Accelerated Vesting Stock	–	–	–	616,019 (6)
Total	$ 82,615	$ –	$ 197,729	$ 813,748

(1) "CIC" means change in control, as defined in the officer's employment agreement.
(2) 6 months base salary.
(3) 3 months base salary.
(4) Pro rata bonus.
(5) Full cash bonus otherwise payable.
(6) Vesting of all stock options granted in accordance with ASC Topic 718. This amount reflects our accounting expense for these awards, and does not correspond to the actual value that will be recognized by the officer.

Patrice P. Rioux, M.D., Ph.D.

Chief Medical Officer

Executive Benefits and Payments Upon Termination	Disability	Death	Termination Without Cause or Constructive Termination	CIC Termination Without Cause or Constructive Termination (1)
Base Salary	$ –	$ –	$ 160,521 (2)	$ 160,521 (2)
Short-Term Incentive	–	–	–	–
Value of Unvested Equity Awards and Accelerated Vesting Stock	–	–	–	613,086 (3)
Total	$ –	$ –	$ 160,521	$ 773,607

(1) "CIC" means change in control, as defined in the officer's employment agreement.
(2) 6 months base salary.
(3) Vesting of all stock options granted in accordance with ASC Topic 718. This amount reflects our accounting expense for these awards, and does not correspond to the actual value that will be recognized by the officer.

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Patrick Reichenberger

Vice President, Commercial Operations

Executive Benefits and Payments Upon Termination	Disability	Death	Termination Without Cause or Constructive Termination	CIC Termination Without Cause or Constructive Termination (1)
Base Salary	$ –	$ –	$ 117,300 (2)	$ 117,300 (2)
Short-Term Incentive	–	–	–	–
Value of Unvested Equity Awards and Accelerated Vesting Stock	–	–	–	515,451 (3)
Total	$ –	$ –	$ 117,300	$ 632,751

(1) "CIC" means change in control, as defined in the officer's employment agreement.

(2) 6 months base salary.

(3) Vesting of all stock options granted in accordance with ASC Topic 718. This amount reflects our accounting expense for these awards, and does not correspond to the actual value that will be recognized by the officer.

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Four month transition period from September 1 to December 31, 2012

The following table quantifies the amounts that we would owe each of our Named Executive Officers upon each of the termination triggers discussed above under "Employment Agreements," assuming a termination date of December 31, 2012:

Christopher M. Starr, Ph.D.

Chief Executive Officer and Director

Executive Benefits and Payments Upon Termination	Disability	Death	Termination Without Cause or Constructive Termination	CIC Termination Without Cause or Constructive Termination (1)
Base Salary	$ 102,500 (3)	$ –	$ 410,000 (2)	$ 410,000 (2)
Short-Term Incentive	28,000 (4)	–(4)	112,000 (5)	112,000 (5)
Value of Unvested Equity Awards and Accelerated Vesting Stock	–	–	–	2,067,088 (6)
Total	$ 130,500	$ –	$ 522,000	$ 2,589,088

(1) "CIC" means change in control, as defined in the officer's employment agreement.
(2) 12 months base salary.
(3) 3 months base salary.
(4) Pro rata bonus.
(5) Full cash bonus otherwise payable.
(6) Vesting of all stock options granted in accordance with ASC Topic 718. This amount reflects our accounting expense for these awards, and does not correspond to the actual value, if any, that will be realized by the officer.

Georgia Erbez

Chief Financial Officer, Secretary and Treasurer

Executive Benefits and Payments Upon Termination	Disability	Death	Termination Without Cause or Constructive Termination	CIC Termination Without Cause or Constructive Termination (1)
Base Salary	$ 82,500 (3)	$ –	$ 330,000 (2)	$ 330,000 (2)
Short-Term Incentive	- (4)	–(4)	-	- (5)
Value of Unvested Equity Awards and Accelerated Vesting Stock	–	–	–	587,948 (6)
Total	$ 82,500	$ –	$ 330,000	$ 917,948

(1) "CIC" means change in control, as defined in the officer's employment agreement.
(2) 12 months base salary.
(3) 3 months base salary.
(4) Pro rata bonus.
(5) Full cash bonus otherwise payable.
(6) Vesting of all stock options granted in accordance with ASC Topic 718. This amount reflects our accounting expense for these awards, and does not correspond to the actual value, if any, that will be realized by the officer.

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Kim R. Tsuchimoto

Former Chief Financial Officer, Secretary and Treasurer (Currently VP, Finance)

Executive Benefits and Payments Upon Termination	Disability	Death	Termination Without Cause or Constructive Termination	CIC Termination Without Cause or Constructive Termination (1)
Base Salary	$ 63,866 (3)	$ –	$ 255,465 (2)	$ 255,465 (2)
Short-Term Incentive	16,250 (4)	–(4)	65,000 (5)	65,000 (5)
Value of Unvested Equity Awards and Accelerated Vesting Stock	–	–	–	647,282 (6)
Total	$ 80,116	$ –	$ 320,465	$ 967,747

(1) "CIC" means change in control, as defined in the officer's employment agreement.
(2) 12 months base salary.
(3) 3 months base salary.
(4) Pro rata bonus.
(5) Full cash bonus otherwise payable.
(6) Vesting of all stock options granted in accordance with ASC Topic 718. This amount reflects our accounting expense for these awards, and does not correspond to the actual value, if any, that will be realized by the officer.

Julie Anne Smith

EVP, Strategy, Chief Operations Officer

Executive Benefits and Payments Upon Termination	Disability	Death	Termination Without Cause or Constructive Termination	CIC Termination Without Cause or Constructive Termination (1)
Base Salary	$ 87,500 (3)	$ –	$ 350,000 (2)	$ 350,000 (2)
Short-Term Incentive	- (4)	–(4)	- (5)	- (5)
Value of Unvested Equity Awards and Accelerated Vesting Stock	–	–	–	587,948 (6)
Total	$ 87,500	$ –	$ 350,000	$ 937,948

(1) "CIC" means change in control, as defined in the officer's employment agreement.
(2) 12 months base salary.
(3) 3 months base salary.
(4) Pro rata bonus.
(5) Full cash bonus otherwise payable.
(6)

Vesting of all stock options granted in accordance with ASC Topic 718. This amount reflects our accounting expense for these awards, and does not correspond to the actual value that will be recognized by the officer.

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Ted Daley

Chief Business Officer

Executive Benefits and Payments Upon Termination	Disability	Death	Termination Without Cause or Constructive Termination	CIC Termination Without Cause or Constructive Termination (1)
Base Salary	$ 73,000	$ –	$ 146,000 (2)	$ 146,000 (2)
Short-Term Incentive	16,250 (4)	–(4)	65,000 (5)	65,000 (5)
Value of Unvested Equity Awards and Accelerated Vesting Stock	–	–	–	737,948 (6)
Total	$ 89,250	$ –	$ 211,000	$ 948,948

(1) "CIC" means change in control, as defined in the officer's employment agreement.
(2) 6 months base salary.
(3) 3 months base salary.
(4) Pro rata bonus.
(5) Full cash bonus otherwise payable.
(6) Vesting of all stock options granted in accordance with ASC Topic 718. This amount reflects our accounting expense for these awards, and does not correspond to the actual value that will be recognized by the officer.

Patrice P. Rioux, M.D., Ph.D.

Chief Medical Officer

Executive Benefits and Payments Upon Termination	Disability	Death	Termination Without Cause or Constructive Termination	CIC Termination Without Cause or Constructive Termination (1)
Base Salary	$ –	$ –	$ 169,150 (2)	$ 169,150 (2)
Short-Term Incentive	–	–	–	–
Value of Unvested Equity Awards and Accelerated Vesting Stock	–	–	–	735,002 (3)
Total	$ –	$ –	$ 169,150	$ 904,152

(1) "CIC" means change in control, as defined in the officer's employment agreement.
(2) 6 months base salary.
(3) Vesting of all stock options granted in accordance with ASC Topic 718. This amount reflects our accounting expense for these awards, and does not correspond to the actual value that will be recognized by the officer.

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Director Compensation

Fiscal year ended August 31, 2012

Effective September 1, 2011 through August 31, 2012, non-employee members of our board of directors received the following cash compensation:

Director Position	Annual Cash Compensation
Non-Employee Directors, Excluding Chairman of the Board of Directors	$ 36,600
Chairman of the Board of Directors	$ 68,000
Audit Committee Chair	$ 14,400
Audit Committee (Non-Chair members)	$ 8,400
Compensation Committee Chair	$ 12,400
Compensation Committee (Non-Chair members)	$ 7,400
Corporate Governance and Nominating Committee Chair	$ 12,000
Corporate Governance and Nominating Committee (Non-Chair members)	$ 7,000

The following table sets forth the total compensation paid by us to each of our non-employee directors during our fiscal year ended August 31, 2012.

Name	Fees Earned or Paid in Cash ($)	Option Awards($)(1)	Total($)
Raymond W. Anderson (2)	58,400	291,756	350,156
Suzanne L. Bruhn, Ph.D. (3)	56,000	197,055	253,055
Richard L. Franklin, M.D. Ph.D. (4)	52,000	304,446	356,446
Llew Keltner, M.D., Ph.D. (5)	57,000	315,095	372,095
Erich Sager (6)	68,000	291,756	359,756
Vijay B. Samant (7)	51,000	197,055	248,055
Timothy P. Walbert (8)	52,400	197,055	249,455

(1) Amounts shown do not reflect compensation actually received by a director, but reflect the dollar amount compensation cost recognized by us for financial statement reporting purposes for the fiscal year ended August 31, 2012 as well as amounts from awards granted in and prior to the fiscal year ended August 31, 2012. The assumptions underlying the calculations pursuant to ASC Topic 718 are set forth under Note 8 of the Notes to Consolidated Financial Statements, beginning on page F-30 of our Consolidated Financial Statements in the Form 10-K.

(2) Mr. Anderson had 380,619 options outstanding as of August 31, 2012, of which 255,929 were exercisable.

(3) Dr. Bruhn had 180,000 options outstanding as of August 31, 2012, of which 56,873 were exercisable.

(4) Dr. Franklin had 289,969 options outstanding as of August 31, 2012, of which 165,279 were exercisable.

(5) Dr. Keltner had 286,100 options outstanding as of August 31, 2012, of which 151,939 were exercisable.

(6)

Mr. Sager had 478,483 options outstanding as of August 31, 2012, of which 353,793 were exercisable.

(7) Mr. Samant had 180,000 options outstanding as of August 31, 2012, of which 56,873 were exercisable.

(8) Mr. Walbert had 180,000 options outstanding as of August 31, 2012, of which 56,873 were exercisable.

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For their services as members of our board of directors, each non-employee board member received stock options to purchase up to 30,000 shares of our common stock in September 2011, which vest 25% per quarter and expire 10 years from the date of grant. The exercise price of such options were $5.13 per share. In addition, in September 2011, based upon the research discussed in "Equity Incentive Programs (Currently Based on Stock Options)" above, each non-employee director received options to purchase 90,000 shares of our common stock, which vests 6/48ths upon the six month anniversary of the grant date and 1/48th per month thereafter with a ten year expiry. The exercise price of such options were $5.13 per share.

Four month transition period from September1 to December 31, 2012

Effective September 1, 2012, non-employee members of our board of directors earn the following cash compensation:

Director Position	Annual Cash Compensation
Non-Employee Directors, Excluding Chairman of the Board of Directors	$ 40,000
Chairman of the Board of Directors	68,000
Audit Committee Chair	20,000
Audit Committee (Non-Chair members)	10,000
Compensation Committee Chair	13,000
Compensation Committee (Non-Chair members)	7,500
Corporate Governance and Nominating Committee Chair	12,000
Corporate Governance and Nominating Committee (Non-Chair members)	7,000

The following table sets forth the total compensation paid by us to each of our non-employee directors during the four month period ended December 31, 2012.

Name	Fees Earned or Paid in Cash ($)	Option Awards($)(1)	Total($)
Raymond W. Anderson (2)	22,500	116,914	139,414
Suzanne L. Bruhn, Ph.D. (3)	20,000	101,850	121,850
Richard L. Franklin, M.D. Ph.D. (4)	19,000	116,914	135,914
Llew Keltner, M.D., Ph.D. (5)	20,667	122,746	143,413
Erich Sager (6)	22,667	116,914	139,581
Vijay B. Samant (7)	18,167	101,850	120,017
Timothy P. Walbert (8)	19,167	101,850	121,017

(1) Amounts shown do not reflect compensation actually received by a director, but reflect the dollar amount compensation cost recognized by us for financial statement reporting purposes for the four month period from September 1 to December 31, 2012 as well as amounts from awards granted in and prior to the four month period from September 1 to December 31, 2012. The assumptions underlying the calculations pursuant to ASC Topic 718 are set forth under Note 8 of the Notes to Consolidated Financial Statements, beginning on page F-30 of our Consolidated Financial Statements in the Form 10-KT.

(2) Mr. Anderson had 424,619 options outstanding as of December 31, 2012, of which 288,678 were exercisable.

(3) Dr. Bruhn had 230,000 options outstanding as of December 31, 2012, of which 86,873 were exercisable.

(4) Dr. Franklin had 339,969 options outstanding as of December 31, 2012, of which 204,028 were exercisable.

(5) Dr. Keltner had 334,164 options outstanding as of December 31, 2012, of which 191,666 were exercisable.

(6) Mr. Sager had 495,531 options outstanding as of December 31, 2012, of which 359,590 were exercisable.

(7) Mr. Samant had 230,000 options outstanding as of December 31, 2012, of which 86,873 were exercisable.

(8) Mr. Walbert had 230,000 options outstanding as of December 31, 2012, of which 86,873 were exercisable.

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For their services as members of our board of directors, in September 2012, each non-employee board member received stock options to purchase up to 50,000 shares of our common stock, which vest 25% per quarter and expire 10 years from the date of grant. The exercise price of such options was $5.49 per share.

Compensation Committee Interlocks and Insider Participation

During our fiscal year ended August 31, 2012 and the four month period from September 1 to December 31, 2012, our Compensation Committee consisted of Dr. Bruhn, Mr. Anderson, Mr. Samant and Mr. Walbert. No member of our Compensation Committee is currently or has been at any time one of our officers or employees, is or was a participant in a "related party" transaction under Item 404 of Regulation S-K promulgated by the SEC ("Regulation S-K") in the last completed fiscal year, or has served as a member of the board of directors, board of trustees or compensation committee of any entity that has one or more officers serving as a member of our board of directors or our Compensation Committee. None of our executive officers serves or in the past has served as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving on our board of directors or our Compensation Committee. Prior to establishing the Compensation Committee, our full board of directors made decisions relating to compensation of our executive officers.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K of the SEC's rules and regulations with management and, based on such review and discussions, the Compensation Committee recommended to the board of directors that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-KT for the fiscal year ended August 31, 2012 and four month period from September 1 to December 31, 2012.

Compensation Committee,

Suzanne Bruhn, Ph.D., Chair

Raymond W. Anderson

Vijay Samant

Timothy Walbert

This foregoing compensation committee report is not "soliciting material," is not deemed "filed" with the SEC, and shall not be deemed incorporated by reference by any general statement incorporating by reference this Annual Transition Report on Form 10-KT into any filing of ours under the Securities Act of 1933, as amended, or under the Exchange Act, except to the extent we specifically incorporate this report by reference.

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ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

The following table provides certain information with respect to all of our equity compensation plans in effect as of December 31, 2012 (in thousands):

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by stockholders	7,791	5.79	1,947
Equity compensation plans not approved by stockholders	–	–	–
Total	7,791	5.79	1,947

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Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of February 22, 2013, each beneficial owner (or group of affiliated beneficial owners) of more than five percent (5%) of any class of our voting securities, each of our Named Executive Officers as of the end of the four months ended December 31, 2012, each of our directors and all of our Named Executive Officers and directors as a group. Except as otherwise indicated, each listed stockholder directly owned his or her shares and had sole voting and investment power. Unless otherwise noted, the address for each person listed below is Raptor Pharmaceutical Corp., 9 Commercial Blvd., Suite 200, Novato, CA 94949.

Name of Beneficial Owner and Address	Number of Shares of Common Stock Beneficially Owned	Number of Shares Subject to Options and Warrants (1)	Percentage of Outstanding Shares of Common Stock (2)	
Columbia Wanger Asset Management, LLC (3)	3,536,000	–	6.6	%
Christopher M. Starr, Ph.D. (4)	1,366,197	666,827	2.6	%
Julie Anne Smith	27,708	27,708	*	
Georgia Erbez	35,108	27,708	*	
Ted Daley	362,189	277,283	*	
Patrice P. Rioux, M.D, Ph.D.	260,351	234,854	*	
Raymond W. Anderson	319,928	319,928	*	
Suzanne L. Bruhn, Ph.D.	113,123	113,123	*	
Richard L. Franklin, M.D., Ph.D.	235,278	235,278	*	
Llew Keltner, M.D., Ph.D.	225,101	225,101	*	
Erich Sager	498,914	390,840	*	
Vijay B. Samant	113,123	113,123	*	
Timothy P. Walbert	113,123	113,123	*	
All named executive officers and directors as a group (12 persons)	3,670,143	2,744,896	6.9	%

*Less than one percent.

(1) Beneficial ownership is determined in accordance with SEC rules and generally includes voting or investment power with respect to securities. Shares of common stock subject to options, warrants and convertible preferred stock currently exercisable or convertible, or exercisable or convertible within sixty (60) days of February 22, 2013, are counted as outstanding for computing the percentage held by each person holding such options or warrants but are not counted as outstanding for computing the percentage of any other person.

(2) Based on 53,506,604 shares outstanding as of February 22, 2013.

(3) Entities affiliated with Columbia Wanger Asset Management, LLC collectively hold an aggregate of 3,536,000 shares of our common stock. The principal business address for Columbia Wanger Asset Management, LLC is 227 West Monroe Street, Suite 3000, Chicago, IL 60606.

(4) Includes 699,370 shares our common stock owned by the Christopher M. and S.L. Starr Trust of which Dr. Starr is a co-trustee and beneficiary and shares voting and investment power, and options to purchase 666,827 shares of our common stock held by Dr. Starr directly.

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ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Review, Approval or Ratification of Transactions with Related Persons

Our Audit Committee has primary responsibility for reviewing and approving in advance or ratifying all related party transactions. In conformance with SEC regulations, we define related persons to include our executive officers, our directors and nominees to become a director of our Company, any person who is known to us to be the beneficial owner of more than 5% of any class of our voting securities, any immediate family member of any of the foregoing persons, and any firm, corporation or other entity in which any of the foregoing persons is employed, is a general partner or in which such person has a 5% or greater beneficial ownership interest.

Our Audit Committee reviews, approves and oversees any related party transactions due to the potential for such transactions to create a conflict of interest. A conflict of interest occurs when an individual's private interest interferes, or appears to interfere, with our interests. It is our general policy to approve or ratify related person transactions only when our board of directors or a committee of our board of directors determines that the transaction is in, or is not inconsistent with, our and our stockholders' best interests, including situations where the Company may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party.

Since September 1, 2011, there has not been nor is there currently proposed any transaction or series of similar transactions to which we were or are to be a party in which the amount involved exceeds $120,000 and in which any of our directors, executive officers, persons who we know hold more than 5% of our common stock, or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest other than: (i) compensation agreements and other arrangements, which are described elsewhere in this Transition Report on Form 10-KT, and (ii) the transactions described below.

We have entered into indemnity agreements with certain of our officers and directors which provide, among other things, that we will indemnify such officer or director, under the circumstances and to the extent provided for therein, for expenses, damages, judgments, fines and settlements he or she may be required to pay in actions or proceedings which he or she is or may be made a party by reason of his or her position as a director, officer or other agent of us, and otherwise to the fullest extent permitted under Delaware law and our Bylaws.

In the ordinary course of business, our officers have loaned money to us by paying travel expenses and other costs from their personal funds on our behalf. We have promptly reimbursed the officers for such expenses and costs.

Indebtedness of Directors and Executive Officers

None of our directors or executive officers or associates of any director or executive officer is or at any time since September 1, 2011 has been indebted to us.

Independence of Our Board of Directors

Our board of directors has determined that all current members of our board of directors are independent (as independence is currently defined in Rule 5605(a)(2) of the NASDAQ listing standards), except for Dr. Starr, our Chief Executive Officer. Our board of directors has also determined that each member of our Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee is independent as defined by the SEC and NASDAQ rules.

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ITEM 14: PRINCIPAL ACCOUNTING FEES AND SERVICES

Independent Registered Public Accounting Firm

On January 22, 2014, our Audit Committee appointed the firm of Grant Thornton LLP, or Grant Thornton, an independent registered public accounting firm, to replace Burr Pilger Mayer, Inc., or BPM, as our independent registered public accounting firm. Accordingly, our Audit Committee has engaged Grant Thornton as our independent registered public accounting firm for the year ending December 31, 2013.

For the re-audit of our transition period from September 1, 2012 through December 31, 2012, Grant Thornton's audit fees, excluding overhead expenses, approximate $200,000. We have not engaged Grant Thornton to perform audit-related, tax compliance or tax consulting and advisory services.

From June 15, 2006 to January 22, 2014, Burr Pilger Mayer, Inc. served as our independent registered public accounting firm.

The following is a summary of the fees and services provided by Burr Pilger Mayer, Inc. for our four months ended December 31, 2012 and fiscal years ended August 31, 2012 and 2011.

		Year ended August 31,	
Description of Services Provided by Burr Pilger Mayer, Inc.	Four months ended December 31, 2012	2012	2011
Audit Fees*	$ 194,480	$386,282	$304,382
Tax Compliance Fees: These services relate to the preparation of federal, state and foreign tax returns and other filings.	0	38,631	28,839
Tax Consulting and Advisory Services: These services primarily relate to the area of tax strategy and minimizing Federal, state, local and foreign taxes.	68,726	259,113	0
All Other Fees	0	0	0

* Audit Fees for the four month period from September 1 to December 31, 2012 includes audit fees for the period which has not been billed or paid of approximately $161,200. Audit Fees for the year ended August 31, 2012, includes fees billed and paid subsequent to August 31, 2012 of approximately $166,400. Audit Fees for August 31, 2011 includes fees billed and paid subsequent to August 31, 2011 totaling $171,600.

As provided in the Audit Committee charter, the Audit Committee pre-approves all of the services provided by our independent registered public accounting firm. 100% of the above services and estimates of the expected fees were reviewed and approved by the Audit Committee before the respective services were rendered.

The Audit Committee has considered the nature and amount of the fees billed by Grant Thornton and believes that the provision of the services for activities is compatible with maintaining Grant Thornton's independence.

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PART IV

ITEM 15: EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The information required to be filed in this item appears on pages F-1 to F-47 of this Transition Report on Form 10-KT.

(a) Documents filed as part of this Transition Report on Form 10-KT:

1) Index list to Consolidated Financial Statements:

2) Schedule II is included on F-47 of this report. All other schedules are omitted because they are not required or the required information is included in the financial statements or notes thereto.

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Exhibits

The following exhibits are filed as part of, or incorporated by reference into this Transition Report on Form 10-KT/A:

Exhibit Index

2.1+	Agreement and Plan of Merger and Reorganization, dated as of June 7, 2006, by and among Axonyx Inc., Autobahn Acquisition, Inc. and TorreyPines Therapeutics, Inc. (incorporated by reference to Annex A to Registration Statement No. 333-136018 filed on July 25, 2006).
2.2+	Amendment No. 1 to Agreement and Plan of Merger and Reorganization, dated as of August 25, 2006, by and among Axonyx Inc., Autobahn Acquisition, Inc. and TorreyPines Therapeutics, Inc. (incorporated by reference to Annex A to Amendment No. 1 to Registration Statement No. 333-136018 filed on August 25, 2006).
2.3+	Agreement and Plan of Merger and Reorganization, dated July 27, 2009, by and among Raptor Pharmaceuticals Corp., TorreyPines Therapeutics, Inc., a Delaware corporation, and ECP Acquisition, Inc., a Delaware corporation (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K, filed on July 28, 2009).
3.1+	Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on October 10, 2006).
3.2+	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on February 26, 2014).
3.3+	Certificate of Amendment filed with the Secretary of State of the State of Nevada effecting an 8-for-1 reverse stock of the Registrant's common stock and changing the name of the Registrant from Axonyx Inc. to TorreyPines Therapeutics, Inc. (incorporated by reference to Exhibit 3.3 to the Registrant's Current Report on Form 8-K, filed on October 10, 2006).
3.4+	Articles of Conversion filed with the Secretary of State of the State of Nevada changing the state of incorporation of the Registrant (incorporated by reference to Exhibit 3.4 to the Registrant's Current Report on Form 8-K, filed on October 10, 2006).
3.5+	Certificate of Conversion filed with the Secretary of State of the State of Delaware (incorporated by reference to Exhibit 3.5 to the Registrant's Current Report on Form 8-K, filed on October 10, 2006).
3.6+	Charter Amendment for TorreyPines (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on October 5, 2009).
3.7+	Certificate of Merger between Raptor Pharmaceuticals Corp., ECP Acquisition, Inc. and TorreyPines Therapeutics, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K, filed on October 5, 2009).
4.1+	Specimen common stock certificate of the Registrant (incorporated by reference to Exhibit 4.7 to the Registrant's Current Report on Form 8-K, filed on October 5, 2009).
4.2+	Form of Warrant issued to Oxford Financial and Silicon Valley Bank on September 27, 2005 (incorporated by reference to Exhibit 4.16 to the Registrant's Annual Report on Form 10-K, filed on March 29, 2007).
4.3+	Form of Warrant issued to Comerica Bank on June 11, 2008 (incorporated by reference to Exhibit 4.1 to the Registrant's Report on Form 8-K, filed on June 17, 2008).
4.4	Rights Agreement, dated as of May 13, 2005, between Registrant and The Nevada Agency and Trust Company, as Rights Agent (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K, filed on May 16, 2005).
4.5(a)	Amendment to Rights Agreement, dated as of June 7, 2006, between Registrant and The Nevada Agency and Trust Company, as Rights Agent (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on June 12, 2006).
4.5(b)	Amendment to Rights Agreement, dated as of October 3, 2006, between Registrant and The Nevada Agency and Trust Company, as Rights Agent (incorporated by reference to Exhibit 4.19 to the Registrant's Annual Report on Form 10-K, filed on March 29, 2007).
4.5(c)+	

	Rights Agreement Amendment, dated as of July 27, 2009, to the Rights Agreement dated May 13, 2005 between TorreyPines and American Stock Transfer and Trust Company (replacing The Nevada Agency and Trust Company) (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on July 28, 2009).
4.5(d)+	Amendment to Rights Agreement, dated August 6, 2010, by and between the Registrant and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K, filed on August 10, 2010).
4.6 *+	Warrant to purchase common stock dated December 14, 2007 issued to Flower Ventures, LLC (incorporated by reference to Exhibit 4.1 to Raptor Pharmaceuticals Corp.'s Quarterly Report on Form 10QSB/A, filed on April 15, 2008).
4.7 *+	Warrant Agreement Amendment, dated December 17, 2009, between the Registrant and Flower Ventures, LLC (incorporated by reference to Exhibit 4.15 to Registrant's Quarterly Report on Form 10-Q, filed on April 9, 2010).
4.8 *+	Form of Placement Agent Warrant to purchase common stock of Raptor Pharmaceuticals Corp. (incorporated by reference to Exhibit 4.2 to Raptor Pharmaceuticals Corp.'s Current Report on Form 8-K/A, filed on May 28, 2008).
4.9*+	Form of Placement Agent Warrant to purchase common stock of Raptor Pharmaceuticals Corp. (incorporated by reference to Exhibit 4.2 to Raptor Pharmaceuticals Corp.'s Current Report on Form 8-K, filed on August 25, 2009).
4.10+	Form of Investor Warrants (incorporated by reference to Exhibit 10.1 on Registrant's Current Report on Form 8-K filed on December 18, 2009).
4.11+	Form of Investor Warrants (incorporated by reference to Exhibit 4.1 on Registrant's Current Report on Form 8-K filed on August 10, 2010).
4.12+	Placement Agent Warrant (incorporated by reference to Exhibit 4.2 on Registrant's Current Report on Form 8-K filed on August 13, 2010).

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10.1#+	TorreyPines Therapeutics, Inc. 2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on October 4, 2006).
10.2#+	Form of Stock Option Agreement under TorreyPines Therapeutics, Inc. 2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.9 to the Registrant's Current Report on Form 8-K, filed on October 4, 2006).
10.3**+	Research and License Agreement by and between TPTX, Inc. and Life Science Research Israel Ltd. dated as of May 10, 2004 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, filed on October 10, 2006).
10.4#+	Employment Agreement between Raptor Pharmaceuticals Corp. and Dr. Christopher Starr dated May 1, 2006 (incorporated by reference to Exhibit 10.5 to Raptor Pharmaceuticals Corp.'s Current Report on Form 8-K, filed on May 26, 2006).
10.5#+	First Amendment to the Employment Agreement between Raptor Pharmaceuticals Corp. and Dr. Christopher Starr dated January 1, 2009 (incorporated by reference to Exhibit 10.1 to Raptor Pharmaceuticals Corp.'s Current Report on Form 8-K, filed on January 5, 2009).
10.6#+	Employment Agreement between Raptor Pharmaceuticals Corp. and Dr. Todd Zankel dated May 15, 2006 (incorporated by reference to Exhibit 10.6 to Raptor Pharmaceuticals Corp.'s Current Report on Form 8-K filed on May 26, 2006).
10.7#+	First Amendment to the Employment Agreement between Raptor Pharmaceuticals Corp. and Dr. Todd Zankel dated January 1, 2009 (incorporated by reference to Exhibit 10.3 to Raptor Pharmaceuticals Corp.'s Current Report on Form 8-K, filed on January 5, 2009).
10.8#+	Employment Agreement between Raptor Therapeutics Inc. and Thomas E. Daley dated September 7, 2007 (incorporated by reference to Exhibit 10.1 to Raptor Pharmaceuticals Corp.'s Quarterly Report on Form 10-QSB filed on January 14, 2009).
10.9#+	First Amendment to the Employment Agreement between Raptor Pharmaceuticals Corp. and Thomas E. Daley dated January 1, 2009 (incorporated by reference to Exhibit 10.4 to Raptor Pharmaceuticals Corp.'s Current Report on Form 8-K, filed on January 5, 2009).
10.10#+	Offer Letter from Raptor Therapeutics Inc. dated April 8, 2009 for Dr. Patrice Rioux (incorporated by reference to Exhibit 10.1 to Raptor Pharmaceuticals Corp.'s Current Report on Form 8-K filed on April 14, 2008).
10.11#**+	Offer Letter from Raptor Therapeutics Inc. dated January 1, 2011 for Patrick Reichenberger (incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K, filed on November 14, 2011).
10.13#+	2006 Equity Incentive Plan of Raptor Pharmaceuticals Corp., as amended (incorporated by reference to Exhibit 4.3 to Raptor Pharmaceuticals Corp.'s Registration Statement on Form S-8 filed on February 28, 2007).
10.14#+	2008 Plan Amendment to 2006 Equity Incentive Plan of Raptor Pharmaceuticals Corp. (incorporated by reference to Exhibit 10.5 to Raptor Pharmaceuticals Corp.'s Annual Report on Form 10-K/A filed on December 23, 2008).
10.15+	Asset Purchase Agreement between Raptor Therapeutics, Inc., Raptor Pharmaceuticals Corp. and Convivia, Inc. dated October 17, 2007 (incorporated by reference to Exhibit 10.3 to Raptor Pharmaceuticals Corp.'s Quarterly Report on Form 10QSB filed on January 14, 2008).
10.16+	Merger agreement between Raptor Therapeutics, Inc., Raptor Pharmaceuticals Corp. and Encode Pharmaceuticals, Inc. dated December 14, 2007 (incorporated by reference to Exhibit 10.1 to Raptor Pharmaceuticals Corp.'s Quarterly Report on Form 10QSB/A filed on April 15, 2008).
10.17**+	Pharmaceutical development services agreement between Raptor Therapeutics Inc. and Patheon Pharmaceuticals Inc. dated January 7, 2008 (incorporated by reference to Exhibit 10.2 to Raptor Pharmaceuticals Corp.'s Quarterly Report on Form 10QSB/A filed on April 15, 2008).
10.18+	Raptor Form Indemnity Agreement dated on December 9, 2009 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 15, 2009).
10.19+	

	Securities Purchase Agreement, dated December 17, 2009, by and between the Registrant and the investors signatories thereto (incorporated by reference to Exhibit 10.1 on Registrant's Current Report on Form 8-K filed on December 18, 2009).
10.20#+	Raptor Pharmaceutical Corp. 2010 Stock Incentive Plan (incorporated by reference to Appendix A to the Registrant's Revised Definitive Proxy Statement, filed on February 5, 2010).
10.21#+	2011 Plan Amendments to the Raptor Pharmaceutical Corp. 2010 Stock Incentive Plan (incorporated by reference to Exhibit 4.15 to the Registrant's Registration Statement on Form S-8 (File No. 333-173719), filed on April 26, 2011).
10.22+	Registration Rights Agreement, dated April 16, 2010, between the Registrant and Lincoln Park Capital Fund, LLC (incorporated by reference to Exhibit 10.2 on Registrant's Current Report on Form 8-K, filed on April 22, 2010).
10.23#+	Form of Award Agreement under the Raptor Pharmaceutical Corp. 2010 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on September 28, 2011).
10.24+	Securities Purchase Agreement, dated August 9, 2010, by and among the Registrant and the Investors signatories thereto (incorporated by reference to Exhibit 10.1 on Registrant's Current Report on Form 8-K, filed on August 10, 2010).

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10.25+	Securities Purchase Agreement, dated August 9, 2010, by and among the Registrant and the Investor signatory thereto (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on August 10, 2010).
10.26+	Registration Rights Agreement, dated August 12, 2010, by and among the Registrant and the signatories thereto (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K, filed on August 13, 2010).
10.27**+	Manufacturing Services Agreement, dated as of November 15, 2010, by and between Patheon Pharmaceuticals Inc. and Raptor Therapeutics, Inc. (incorporated by reference to Exhibit 10.53 of the Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 filed on November 23, 2010 (File No. 333-168966).
10.28**+	API Supply Agreement, dated November 15, 2010, by and between Raptor Therapeutics Inc. and Cambrex Profarmaco Milano (incorporated by reference to Exhibit 10.54 of the Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form S-1 filed on November 23, 2010 (File No. 333-168966)).
10.29**+	Cooperative Research and Development Agreement for Extramural-PHS Clinical Research dated December 15, 2011 between the U.S. Department of Health and Human Services, as represented by the National Institute of Diabetes and Digestive and Kidney Diseases, an institute or center of the National Institutes of Health, and Raptor Therapeutics Inc. (incorporated by reference to Exhibit 10.1of the Registrant's Quarterly Report on Form 10-Q filed on April 9, 2012).
10.30**#+	Employment Agreement dated April 15, 2012 between Raptor Pharmaceuticals Europe B.V. and Henk Doude van Troostwijk (incorporated by reference to Exhibit 10.1of the Registrant's Quarterly Report on Form 10-Q filed on July 10, 2012).
10.31**+	Intellectual Property Platform Contribution Transaction License Agreement, dated April 16, 2012, between RPTP European Holdings, C.V. and Raptor Therapeutics Inc. (incorporated by reference to Exhibit 10.2of the Registrant's Quarterly Report on Form 10-Q filed on July 10, 2012).
10.32**#+	Employment Agreement, dated September 10, 2012, between the Registrant and Georgia Erbez (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on September 12, 2012).
10.33**#+	Employment Agreement, dated September 10, 2012, between Raptor Therapeutics and Julie A. Smith (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K, filed on September 12, 2012).
10.34**#+	Employment Agreement, dated September 10, 2012, between the Registrant and Kim R. Tsuchimoto (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K, filed on September 12, 2012).
10.35#+	Employment Agreement, dated September 25, 2012, between the Registrant and Kathy Powell (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on October 1, 2012).
10.36+	Sales Agreement, dated as of April 30, 2012, by and between Registrant and Cowen and Company, LLC (incorporated by reference to Exhibit 1.1 of the Registrant's Current Report on Form 8-K, filed on May 1, 2012).
10.37+	Second Amendment to License Agreement, effective as of October 30, 2012, by and between Raptor Therapeutics, Inc. and The Regents of the University of California.
10.38**+	Loan Agreement, dated as of December 20, 2012, by and among Registrant, HealthCare Royalty Partners II, L.P. and the Guarantors party thereto.
21.1+	Subsidiaries of the Registrant.
23.1	Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm to the Registrant.
23.2†	Consent of Burr Pilger Mayer, Inc., Former Independent Registered Public Accounting Firm to the Registrant.
24.1+	Power of Attorney (included in the signature page hereto).
31.1†	Certification of Christopher M. Starr, Ph.D., Chief Executive Officer and Director.

31.2	Certification of Georgia Erbez, Chief Financial Officer, Secretary and Treasurer.
32.1†	Certification of Christopher M. Starr, Ph.D., Chief Executive Officer and Director, and of Georgia Erbez, Chief Financial Officer, Secretary and Treasurer.
101	The following materials from the Raptor Pharmaceutical Corp. Transition Report on Form 10-KT/A for the four-month period ended December 31, 2012, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations and Comprehensive Loss; (iii) the Consolidated Statements of Stockholders' Equity (Deficit); (iv) the Consolidated Statements of Cash Flows; and (v) related notes, tagged as blocks of text.
*	The Raptor Pharmaceuticals Corp. warrants set forth in Exhibits 4.6 - 4.9 have been converted into warrants of the Registrant and the exercise price of such warrants and number of shares of common stock issuable thereunder have been converted as described in Item 1.01 (under the section titled, "Background") of the Registrant's Current Report on Form 8-K, filed on October 5, 2009.
**	Certain information omitted pursuant to a request for confidential treatment filed separately with and granted by the SEC.
+	Previously filed.
#	Indicates a management contract or compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RAPTOR
PHARMACEUTICAL
CORP.

Dated: May 12, 2014

By : /s/ Georgia Erbez
Georgia Erbez
Chief Financial Officer,
Secretary and Treasurer
(Principal Financial
Officer and Principal
Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signatures	Title	Date
/s/ Christopher M. Starr hristopher M. Starr, Ph.D.	Chief Executive Officer and Director (Principal Executive Officer)	May 12, 2014
/s/ Georgia Erbez Georgia Erbez	Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer and Principal Accounting Officer)	May 12, 2014
* Raymond W. Anderson	Director	May 12, 2014
* Suzanne L. Bruhn, Ph.D.	Director	May 12, 2014
* Richard L Franklin, M.D., Ph.D.	Director	May 12, 2014
* Llew Keltner, M.D., Ph.D.	Director	May 12, 2014
* Erich Sager	Director	May 12, 2014
* Vijay B. Samant	Director	May 12, 2014

*		May 12, 2014
Timothy P. Walbert	Director	

*By /s/ Georgia Erbez
Georgia Erbez
as Attorney-in-Fact

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Financial Statements

The following consolidated financial statements of Raptor Pharmaceutical Corp. and the Independent Registered Public Accounting Firm's Report issued thereon, are incorporated by reference in Part II, Item 8 of this Transition Report on Form 10-KT/A:

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Raptor Pharmaceutical Corp.

We have audited the accompanying consolidated balance sheet of Raptor Pharmaceutical Corp. (a development stage company and a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2012, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for the four month period ended December 31, 2012 and for the cumulative period from September 8, 2005 (inception) to December 31, 2012. Our audit of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. The Company's consolidated financial statements as of and for the year ended August 31, 2012 and for the period from September 8, 2005 (inception) to August 31, 2012 (not presented herein), were audited by other auditors. Those auditors, in their report dated November 13, 2012, expressed an unqualified opinion on those financial statements. The other auditor's report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the period from September 8, 2005 (inception) to August 31, 2012, is based solely on the report of the other auditors.

We conducted our audit in accordance with the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Raptor Pharmaceutical Corp. and subsidiaries as of December 31, 2012, and the results of their operations and their cash flows for the four month period ended December 31, 2012 and for the period from September 8, 2005 (inception) to December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in the 1992 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 17, 2014 expressed an unqualified opinion thereon.

/s/ GRANT THORNTON LLP

San Francisco, California
March 17, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Raptor Pharmaceutical Corp.

We have audited the internal control over financial reporting of Raptor Pharmaceutical Corp. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2012, based on criteria established in the 1992 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in the 1992 Internal Control—Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the four month period ended December 31, 2012, and our report dated March 17, 2014 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

San Francisco, California
March 17, 2014

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REPORT OF FORMER INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Raptor Pharmaceutical Corp.

We have audited the accompanying consolidated balance sheets of Raptor Pharmaceutical Corp. and its subsidiaries (the "Company") (a development stage enterprise) as of August 31, 2012 and 2011, and the related consolidated statements of comprehensive loss, stockholders' equity (deficit), and cash flows for each of the three years in the period ended August 31, 2012, and the cumulative amounts from September 8, 2005 (inception) to August 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Raptor Pharmaceutical Corp. and its subsidiaries as of August 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2012, and the cumulative amounts from September 8, 2005 (inception) to August 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

/s/ Burr Pilger Mayer, Inc.
San Francisco, California
November 13, 2012

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Raptor Pharmaceutical Corp.
(A Development Stage Company)
Consolidated Balance Sheets
(In thousands, except for per share data)

	December 31, 2012	August 31, 2012	2011
Assets			
Current assets:			
Cash and cash equivalents	$36,313	$23,580	$15,172
Restricted cash	163	169	114
Short-term investments	22,096	15,307	0
Prepaid expenses and other	1,610	3,111	416
Total current assets	60,182	42,167	15,702
Intangible assets, net	2,156	2,205	3,251
Goodwill	3,275	3,275	3,275
Fixed assets, net	416	403	77
Deposits	26	105	105
Other Assets	2,068	134	152
Total assets	$68,123	$48,289	$22,562
Liabilities and Stockholders' Equity (Deficit)			
Liabilities			
Current liabilities:			
Accounts payable	$4,599	$1,601	$847
Accrued liabilities	2,150	2,652	2,249
Common stock warrant liability	16,405	17,266	23,575
Deferred rent	6	14	24
Capital lease liability - current	8	8	4
Total current liabilities	23,168	21,541	26,699
Note payable	25,000	0	0
Capital lease liability - long-term	11	13	10
Total liabilities	48,179	21,554	26,709
Commitments and contingencies			
Stockholders' equity (deficit):			
Preferred stock, $0.001 par value, 15,000 shares authorized, zero shares issued and outstanding	0	0	0
Common stock, $0.001 par value, 150,000 shares authorized,52,425, 50,568 and 35,569 shares issued and outstanding at December 31, 2012, August 31, 2012 and 2011, respectively	52	51	36
Additional paid-in capital	155,945	143,380	73,817
Accumulated other comprehensive loss	(115)	(50)	2

Deficit accumulated during development stage	(135,938)	(116,646)	(78,002)
Total stockholders' equity (deficit)	19,944	26,735	(4,147)
Total liabilities and stockholders' equity	$68,123	$48,289	$22,562

The accompanying notes are an integral part of these consolidated financial statements.

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Raptor Pharmaceutical Corp.
(A Development Stage Company)
Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except per share data)

	For the four months ended December 31, 2012	For the year ended August 31, 2012	2011
Revenues	$0	$0	$0
Operating expenses:			
General and administrative	8,971	14,723	6,178
Research and development	8,963	21,443	14,788
Total operating expenses	17,934	36,166	20,966
Loss from operations	(17,934)	(36,166)	(20,966)
Interest income	160	340	45
Interest expense	(83)	(3)	(2)
Foreign currency transaction gain	113	145	29
Gain (loss) on short-term investments	(64)	213	0
Adjustment to the fair value of common stock warrants	(1,484)	(3,173)	(16,301)
Net loss	(19,292)	(38,644)	(37,195)
Other comprehensive gain (loss)			
Foreign currency translation adjustment	(65)	(52)	10
Comprehensive loss	$(19,357)	$(38,696)	$(37,185)
Net loss per share:			
Basic and diluted	$(0.37)	$(0.80)	$(1.15)
Weighted-average shares outstanding used to compute:			
Basic and diluted	51,737	48,085	32,327

The accompanying notes are an integral part of these consolidated financial statements.

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Raptor Pharmaceutical Corp.
(A Development Stage Company)
Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except per share data)

	For the year ended August 31, 2010	For the period from September 8, 2005 (inception) to December 31, 2012
Revenues	$0	$0
Operating expenses:		
General and administrative	3,720	40,547
Research and development	9,334	69,644
Total operating expenses	13,054	110,191
Loss from operations	(13,054)	(110,191)
Interest income	26	873
Interest expense	(5)	(202)
Foreign currency transaction gain	0	287
Gain (loss) on short-term investments	0	148
Adjustment to the fair value of common stock warrants	(5,895)	(26,853)
Net loss	(18,928)	(135,938)
Other comprehensive loss		
Foreign currency translation adjustment	(8)	(115)
Comprehensive loss	$(18,936)	$(136,053)
Net loss per share:		
Basic and diluted	$(0.85)	
Weighted-average shares outstanding used to compute:		
Basic and diluted	22,227	

The accompanying notes are an integral part of these consolidated financial statements.

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Raptor Pharmaceutical Corp.

(A Development Stage Company)

Consolidated Statements of Stockholders' Equity (Deficit)

For the period from September 8, 2005 (inception) to August 31, 2006
(In thousands, except for per share data)

	Common stock Shares	Amount	Additional paid-in capital	Receivable from stockholders	Deficit accumulated during the development stage	Total
Balance at September 8, 2005, issuance of common stock to founders at $0.004 per share, net of retirement of common stock upon reverse merger	1,399	$ 1	$ 9	$ (10)	$ 0	$0
Common stock issued in May 2006 at $0.43 per share pursuant to a stock purchase agreement dated February 2006	233	0.5	99.5	(100)	0	0
Common stock issued in May 2006 at $0.86 per share pursuant to a stock purchase agreement dated February 2006	233	0.5	199.5	0	0	200
Common stock issued on May 25, 2006 at $2.57 per share, net of fundraising costs of $218	1,943	2	4,780	0	0	4,782
Common stock and warrants issued for a placement fee in connection with May 25, 2006 financing	186	0	0	0	0	0
Common stock issued in connection with reverse merger in May 2006	2,914	3	(3)	0	0	0
Consultant stock-based compensation expense	0	0	24	0	0	24
Repayment of receivable from stockholders	0	0	0	110	0	110
Net loss	0	0	0	0	(969)	(969)
Balance at August 31, 2006	6,908	$ 7	$ 5,109	$ 0	$ (969)	$4,147

The accompanying notes are an integral part of these consolidated financial statements.

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Raptor Pharmaceutical Corp.

(A Development Stage Company)

Consolidated Statements of Stockholders' Equity (Deficit)

For the year ended August 31, 2007
(In thousands, except for per share data)

	Common stock		Additional paid-in capital	Deficit accumulated during the development stage	Total
	Shares	Amount			
Balance at September 1, 2006	6,908	$ 7	$ 5,109	$ (969)	$4,147
Exercise of common stock warrants	766	1	1,969	0	1,970
Exercise of common stock options	3	0	8	0	8
Consultant stock-based compensation expense	0	0	96	0	96
Employee stock-based compensation expense	0	0	369	0	369
Net loss	0	0	0	(3,632)	(3,632)
Balance at August 31, 2007	7,677	$ 8	$ 7,551	$ (4,601)	$2,958

The accompanying notes are an integral part of these consolidated financial statements.

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Raptor Pharmaceutical Corp.

(A Development Stage Company)

Consolidated Statements of Stockholders' Equity (Deficit)

For the year ended August 31, 2008
(In thousands, except for per share data)

	Common stock		Additional paid-in	Deficit accumulated during the development	
	Shares	Amount	capital	stage	Total
Balance at September 1, 2007	7,677	$ 8	$ 7,551	$ (4,601)	$2,958
Exercise of common stock warrants	748	1	1,924	0	1,925
Consultant stock-based compensation expense	2	0	240	0	240
Employee stock-based compensation expense	23	0	492	0	492
Issuance of common stock for loan placement fee	47	0	102	0	102
Issuance of common stock for the purchase of Convivia, Inc. assets	102	0	240	0	240
Issuance of common stock for the merger with Encode Pharmaceuticals, Inc.	803	0	2,658	0	2,658
Issuance of common stock and warrants for the sale of units in a private placement at $2.14 per unit, including placement agent warrants, net of fundraising costs of $944	4,662	5	9,051	0	9,056
Net loss	0	0	0	(8,054)	(8,054)
Balance at August 31, 2008	14,064	$ 14	$ 22,258	$ (12,655)	$9,617

The accompanying notes are an integral part of these consolidated financial statements.

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Raptor Pharmaceutical Corp.

(A Development Stage Company)

Consolidated Statements of Stockholders' Equity (Deficit)

For the year ended August 31, 2009
(In thousands, except for per share data)

	Common stock Shares	Amount	Additional paid-in capital	Deficit accumulated during the development stage	Total
Balance at August 31, 2008	14,064	$ 14	$ 22,258	$ (12,655)	$9,617
Exercise of common stock warrants	2,032	2	2,613	0	2,615
Consultant stock-based compensation expense	0	0	48	0	48
Employee stock-based compensation expense	23	0	354	0	354
Issuance of common stock and warrants for the sale of units in a private placement at $1.37 per unit, including placement agent warrants, net of fundraising costs of $294	1,738	2	2,091	0	2,093
Net loss	0	0	0	(9,224)	(9,224)
Balance at August 31, 2009	17,857	$ 18	$ 27,364	$ (21,879)	$5,503

The accompanying notes are an integral part of these consolidated financial statements.

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Raptor Pharmaceutical Corp.

(A Development Stage Company)

Consolidated Statements of Stockholders' Equity (Deficit)

For the year ended August 31, 2010
(In thousands, except for per share data)

	Common stock Shares	Amount	Additional paid-in capital	Accumulated other comprehensive loss	Deficit accumulated during development stage	Total
Balance at August 31, 2009	17,857	$ 18	$ 27,364	$ 0	$ (21,879)	$5,503
Exercise of common stock warrants	197	0	475	0	0	475
Exercise of common stock options	38	0	64	0	0	64
Consultant stock-based compensation expense	0	0	78	0	0	78
Employee stock-based compensation expense	12	0	217	0	0	217
Common stock issued and warrants/options assumed with 2009 Merger	941	1	4,416	0	0	4,417
Issuance of common stock to LPC pursuant to an equity line facility at a $2.26 average per share purchase price, net of fundraising costs and commitment shares totaling $533	2,387	2	4,840	0	0	4,842
Issuance of common stock and warrants in a registered direct financing at $2.00 per unit, including placement agent warrants, net of fundraising costs of $1,247	3,747	4	6,243	0	0	6,247
Initial value of warrants issued in a registered direct financing	0	0	(1,864)	0	0	(1,864)
Issuance of common stock and warrants for the sale of units in a private placement at $3.075 per unit, including placement agent warrants, net of fundraising costs of $1,458	4,898	5	13,598	0	0	13,603
Initial value of warrants issued in 2010 private placement	0	0	(7,813)	0	0	(7,813)
Comprehensive loss	0	0	0	(8)	(18,928)	(18,936)
Balance at August 31, 2010	30,077	$ 30	$ 47,618	$ (8)	$ (40,807)	$6,833

The accompanying notes are an integral part of these consolidated financial statements.

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Raptor Pharmaceutical Corp.

(A Development Stage Company)

Consolidated Statements of Stockholders' Equity (Deficit)

For the year ended August 31, 2011
(In thousands, except for per share data)

	Common stock		Additional paid-in	Accumulated other comprehensive income	Deficit accumulated during development	
	Shares	Amount	capital	(loss)	stage	Total
Balance at August 31, 2010	30,077	$ 30	$ 47,618	$ (8)	$ (40,807)	$ 6,833
Exercise of common stock warrants	3,340	4	8,909	0	0	8,913
Exercise of common stock options	39	0	96	0	0	96
Consultant stock-based compensation expense	0	0	197	0	0	197
Employee stock-based compensation expense	0	0	1,920	0	0	1,920
Reclassification of the fair value of warrant liabilities upon exercise	0	0	8,506	0	0	8,506
Issuance of common stock pursuant to an equity line facility at a $3.35 average per share purchase price, net of fundraising costs and commitment shares of $174	2,113	2	6,571	0	0	6,573
Foreign currency translation gain	0	0	0	10	0	10
Net loss	0	0	0	0	(37,195)	(37,195)
Balance at August 31, 2011	35,569	$ 36	$ 73,817	$ 2	$ (78,002)	$ (4,147)

The accompanying notes are an integral part of these consolidated financial statements.

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Raptor Pharmaceutical Corp.

(A Development Stage Company)

Consolidated Statements of Stockholders' Equity (Deficit)

For the year ended August 31, 2012
(In thousands, except for per share data)

	Common stock		Additional paid-in	Accumulated other comprehensive	Deficit accumulated during development	
	Shares	Amount	capital	income (loss)	stage	Total
Balance at August 31, 2011	35,569	$ 36	$ 73,817	$ 2	$ (78,002)	$ (4,147)
Exercise of common stock warrants	1,831	2	5,011	0	0	5,013
Exercise of common stock options	160	0	366	0	0	366
Consultant stock-based compensation expense	0	0	72	0	0	72
Employee stock-based compensation expense	0	0	4,487	0	0	4,487
Reclassification of the fair value of warrant liabilities upon exercise	0	0	9,482	0	0	9,482
Issuance of common stock in a follow-on public offering at $4.00 per share, net of fundraising costs of $3,168	11,500	12	42,822	0	0	42,834
Issuance of common stock pursuant to an at-the-market financing facility at an average per share purchase price of $5.10, net of fundraising costs of $360	1,508	1	7,323	0	0	7,324
Foreign currency translation loss	0	0	0	(52)	0	(52)
Net loss	0	0	0	0	(38,644)	(38,644)
Balance at August 31, 2012	50,568	$ 51	$ 143,380	$ (50)	$ (116,646)	$ 26,735

The accompanying notes are an integral part of these consolidated financial statements.

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Raptor Pharmaceutical Corp.

(A Development Stage Company)

Consolidated Statements of Stockholders' Equity (Deficit)

For the four months ended December 31, 2012
(In thousands, except for per share data)

	Common stock		Additional paid-in	Accumulated other comprehensive	Deficit accumulated during development	
	Shares	Amount	capital	Income (loss)	stage	Total
Balance at August 31, 2012	50,568	$ 51	$ 143,380	$ (50)	$ (116,646)	$ 26,735
Exercise of common stock warrants	625	0	1,843	0	0	1,843
Exercise of common stock options	79	0	192	0	0	192
Consultant stock-based compensation expense	0	0	9	0	0	9
Employee stock-based compensation expense	0	0	2,230	0	0	2,230
Reclassification of the fair value of warrant liabilities upon exercise	0	0	2,345	0	0	2,345
Issuance of common stock pursuant to an at-the-market financing facility at an average per share purchase price of $5.34, net of fundraising costs of $185	1,153	1	5,946	0	0	5,947
Foreign currency translation loss	0	0	0	(65)	0	(65)
Net loss	0	0	0	0	(19,292)	(19,292)
Balance at December 31, 2012	52,425	$ 52	$ 155,945	$ (115)	$ (135,938)	$ 19,944

The accompanying notes are an integral part of these consolidated financial statements.

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Raptor Pharmaceutical Corp.
(A Development Stage Company)
Consolidated Statements of Cash Flows
(In thousands, except for per share data)

	For the four months ended December 31, 2012	For the year ended August 31, 2012	2011
Cash flows from operating activities:			
Net loss	$(19,292)	$(38,644)	$(37,195)
Adjustments to reconcile net loss to net cash used in operating activities:			
Employee stock-based compensation expense	2,230	4,487	1,920
Consultant stock-based compensation expense	9	72	197
Fair value adjustment of common stock warrants	1,484	3,173	16,301
Amortization of intangible assets	49	146	153
Depreciation of fixed assets	42	65	78
Loss on short-term investments	64	0	0
Write-off of intangible assets and other intellectual property	0	900	108
Changes in assets and liabilities:			
Prepaid expenses and other	1,501	(2,695)	(130)
Deposits	79	0	(2)
Accounts payable	3,081	754	210
Accrued liabilities	(585)	403	1,119
Deferred rent	(8)	(10)	22
Net cash used in operating activities	(11,346)	(31,349)	(17,219)
Cash flows from investing activities:			
Purchase of fixed assets	(55)	(378)	(50)
Purchase of short-term investments	(6,853)	(45,307)	0
Sale of short-term investments	0	30,000	0
Change in restricted cash	6	(54)	(114)
Net cash used in investing activities	(6,902)	(15,739)	(164)
Cash flows from financing activities:			
Proceeds from the sale of common stock	0	42,834	0
Proceeds from the sale of common stock under an equity line	0	0	6,740
Proceeds from the sale of common stock under an At-the-Market agreement	5,947	7,324	0
Proceeds from the exercise of common stock warrants	1,843	5,013	8,913
Proceeds from the exercise of common stock options	192	366	96
Proceeds from note payable	25,000	0	0
Offering costs	25	18	(152)
Debt issuance costs	(1,959)	0	0
Principal payments on capital lease	(2)	(7)	(5)
Net cash provided by financing activities	31,046	55,548	15,592
Effect of exchange rates on cash and cash equivalents	(65)	(52)	10
Net increase (decrease) in cash and cash equivalents	12,733	8,408	(1,781)
Cash and cash equivalents, beginning of period	23,580	15,172	16,953
Cash and cash equivalents, end of period	$36,313	$23,580	$15,172
Supplemental cash flow information:			

Interest paid	$83	$3	$2
Supplemental disclosure of non-cash financing activities:			
Common stock issued as fee for equity line	$0	$0	$519
Acquisition of equipment in exchange for capital lease	$0	$13	$14
Fair value of warrant liability reclassified to equity upon exercise	$2,345	$9,482	$8,506

The accompanying notes are an integral part of these consolidated financial statements.

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Raptor Pharmaceutical Corp.
(A Development Stage Company)
Consolidated Statements of Cash Flows
(In thousands, except for per share data)

	For the year ended August 31, 2010	For the cumulative period from September 8, 2005 (inception) to December 31, 2012
Cash flows from operating activities:		
Net loss	$(18,928)	$(135,938)
Adjustments to reconcile net loss to net cash used in operating activities:		
Employee stock-based compensation expense	217	10,068
Consultant stock-based compensation expense	78	764
Fair value adjustment of common stock warrants	5,895	26,853
Amortization of intangible assets	152	746
Depreciation of fixed assets	72	608
Loss on short-term investments	0	64
Write-off of intangible assets and other intellectual property	0	1,249
Changes in assets and liabilities:		
Prepaid expenses and other	(79)	(1,370)
Intangible assets	0	(150)
Deposits	(3)	(26)
Accounts payable	24	4,682
Accrued liabilities	(2)	1,387
Deferred rent	3	6
Net cash used in operating activities	(12,571)	(91,057)
Cash flows from investing activities:		
Cash acquired in 2009 merger	581	581
Purchase of fixed assets	(20)	(980)
Purchase of short-term investments	0	(52,160)
Sale of short-term investments	0	30,000
Change in restricted cash	0	(163)
Net cash provided by (used in) investing activities	561	(22,722)
Cash flows from financing activities:		
Proceeds from the sale of common stock	19,893	78,504
Proceeds from the sale of common stock under an equity line	4,842	11,582
Proceeds from the sale of common stock under an At-the-Market agreement	0	13,271
Proceeds from the exercise of common stock warrants	475	22,754
Proceeds from the exercise of common stock options	64	727
Proceeds from issuance of note payable	0	25,000
Offering costs	0	43

Proceeds from the sale of common stock to initial investors	0	310
Debt issuance costs	0	(1,959)
Principal payments on capital lease	(4)	(25)
Net cash provided by financing activities	25,270	150,207
Effect of exchange rates on cash and cash equivalents	(8)	(115)
Net increase in cash and cash equivalents	13,252	36,313
Cash and cash equivalents, beginning of period	3,702	0
Cash and cash equivalents, end of period	$16,954	$36,313

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Supplemental cash flow information:		
Interest paid	$4	$100
Supplemental disclosure of non-cash financing activities:		
Warrants issued in connection with financings	$9,677	$16,310
Initial fair value of warrants issued to placement agents in connection with financings	$209	$209
Common stock and warrants issued in connection with reverse merger	$4,417	$4,417
Common stock issued as fee for equity line	$309	$828
Acquisition of equipment in exchange for capital lease	$0	$48
Fair value of warrant liability reclassified to equity upon exercise	$0	$20,333
Notes receivable issued in exchange for common stock	$0	$110
Common stock issued for a finder's fee	$0	$102
Common stock issued in asset purchase	$0	$2,899

The accompanying notes are an integral part of these consolidated financial statements.

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RAPTOR PHARMACEUTICAL CORP.

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except for per share data, or unless otherwise specified)

(1) NATURE OF OPERATIONS AND BUSINESS RISKS

The accompanying consolidated financial statements reflect the financial position and results of operations of Raptor Pharmaceutical Corp. (the "Company" or "Raptor") and have been prepared in accordance with the accounting principles generally accepted in the United States of America ("GAAP").

Raptor is a biopharmaceutical company focused on developing and commercializing life-altering therapeutics that treat debilitating and often fatal diseases. Raptor currently has product candidates in pre-commercial and clinical development designed to potentially treat nephropathic cystinosis, Non-alcoholic Steatohepatitis ("NASH"), Huntington's disease ("HD") and aldehyde dehydrogenase deficiency ("ALDH2"). Raptor's preclinical programs are based upon bioengineered novel drug candidates that are designed to target cancer and other diseases.

On July 28, 2009, the Company and ECP Acquisition, Inc., a Delaware corporation, the Company's then wholly-owned subsidiary, entered into an Agreement and Plan of Merger and Reorganization (the "2009 Merger Agreement"), with Raptor Pharmaceuticals Corp., a Delaware corporation ("RPC"). On September 29, 2009, on the terms and subject to the conditions set forth in the 2009 Merger Agreement, pursuant to a stock-for-stock reverse triangular merger (the "2009 Merger"), ECP Acquisition, Inc. was merged with and into RPC and RPC survived the 2009 Merger as a wholly-owned subsidiary of the Company. Immediately prior to the 2009 Merger and in connection therewith, the Company effected a 1-for-17 reverse stock split of its common stock and changed its corporate name from "TorreyPines Therapeutics, Inc." to "Raptor Pharmaceutical Corp."

As a result of the 2009 Merger and in accordance with the 2009 Merger Agreement, each share of RPC's common stock outstanding immediately prior to the effective time of the 2009 Merger was converted into the right to receive 0.2331234 shares of the Company's common stock, on a post 1-for-17 reverse-split basis. Each option and warrant to purchase RPC's common stock outstanding immediately prior to the effective time of the 2009 Merger was assumed by the Company at the effective time of the 2009 Merger, with each share of such common stock underlying such options and warrants being converted into the right to receive 0.2331234 shares of the Company's common stock, on a post 1-for-17 reverse split basis, rounded down to the nearest whole share of the Company's common stock. Following the 2009 Merger, each such option or warrant had an exercise price per share of the Company's common stock equal to the quotient obtained by dividing the per share exercise price of such common stock subject to such option or warrant by 0.2331234, rounded up to the nearest whole cent.

Immediately following the effective time of the 2009 Merger, RPC's stockholders (as of immediately prior to the 2009 Merger) owned approximately 95% of the Company's outstanding common stock and the Company's stockholders (as of immediately prior to the 2009 Merger) owned approximately 5% of the Company's outstanding common stock.

RPC, the Company's wholly-owned subsidiary, was the "accounting acquirer," and for accounting purposes, the Company was deemed as having been "acquired" in the 2009 Merger. The board of directors and officers that managed and operated RPC immediately prior to the effective time of the 2009 Merger became the Company's board of directors and officers. Additionally, following the effective time of the 2009 Merger, the business conducted by RPC immediately prior to the effective time of the 2009 Merger became primarily the business conducted by the Company. In December 2011, RPC merged into Raptor Pharmaceutical Corp.

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The Company is subject to a number of risks, including: the need to raise capital through equity and/or debt financings; the uncertainty whether the Company's research and development efforts will result in successful commercial products; competition from larger organizations; reliance on licensing the proprietary technology of others; dependence on key personnel; uncertain patent protection; and dependence on corporate partners and collaborators. Funding may not be available when needed if at all or on terms acceptable to us. If the Company exhausts its cash reserves and is unable to obtain adequate financing, it may be required to curtail planned operating expenditures, including its development programs.

Change in Fiscal Year End

On December 4, 2012 Raptor's Board of Directors approved a change in its fiscal year end from August 31 to December 31. The change became effective at the end of the four months ended December 31, 2012. All references to "fiscal years" or "years" prior to this change refer to the twelve-month fiscal period covering September 1 through August 31, and each year after December 31, 2012, the fiscal year covers January 1 through December 31.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company's consolidated financial statements include the accounts of the Company's direct and indirect wholly owned subsidiaries, Raptor Pharmaceuticals Inc., formerly known as Raptor Therapeutics Inc. which merged with Raptor Discoveries Inc. in December 2012 prior to changing its name and Raptor European Products, LLC, such subsidiaries incorporated in Delaware on August 1, 2007, and February 14, 2012, respectively, and Raptor Pharmaceuticals Europe B.V., Raptor Pharmaceuticals France SAS and RPTP European Holdings C.V., domiciled in the Netherlands on December 15, 2009, in France on October 30, 2012 and in the Grand Caymans on February 16, 2012, respectively. All inter-company accounts have been eliminated.

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Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the dates of the consolidated financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Functional Currency

The Company's consolidated functional currency is the U.S. dollar. Raptor Pharmaceuticals Europe B.V. ("BV"), Raptor Pharmaceuticals France SAS ("SAS") and RPTP European Holdings C.V. ("CV"), the Company's European subsidiary, French subsidiary and Cayman-based subsidiary, respectively, use the European Euro as their functional currency. At each quarter end, each foreign subsidiary’s balance sheets are translated into U.S. dollars based upon the quarter-end exchange rate, while its statements of operations and comprehensive loss are translated into U.S. dollars based upon an average exchange rate during the period.

Fair Value of Financial Instruments

The carrying amounts of certain of the Company's financial instruments including cash equivalents, restricted cash, accounts payable, accrued liabilities, note payable and capital lease liability approximate fair value due either to length of maturity or interest rates that approximate prevailing market rates. The warrant liability is carried at fair value, which is determined using the Black-Scholes option valuation model at the end of each reporting period.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less, when purchased, to be cash equivalents. The Company maintains cash and cash equivalents, which consist principally of money market funds with high credit quality financial institutions. Such amounts exceed Federal Deposit Insurance Corporation insurance limits. Restricted cash represents compensating balances required by the Company's U.S. and European banks as collateral for credit cards. As of December 31, 2012 the Company had $1.2 million in cash and cash equivalents held by its foreign subsidiaries.

Short-term Investments

The Company invests in short-term investments in high credit-quality funds in order to obtain higher yields on its idle cash. Short-term investments consisted of a short-term duration government fund in the amount of $22.1 million and $15.3 million at December 31, 2012 and August 31, 2012, respectively. Such investments are not insured by the Federal Deposit Insurance Corporation. The Company did not hold investments as of August 31, 2011.

The Company completed an evaluation of its investments and determined that it did not have any other-than-temporary impairment as of December 31, 2012.

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Prepaid Expenses and Other

Prepaid expenses consists primarily of advance payments to vendors, which will be expensed within one year from the balance sheet date.

Deferred Offering Costs

Deferred offering costs represent expenses incurred to raise equity capital related to financing transactions which have not yet been completed as of the balance sheet dates.

Note Payable and Debt Issuance Costs

Note payable consists of the Company's loan agreement with HealthCare Royalty Partners ("HC Royalty"), as lender, under which the Company agreed to borrow $50 million in two $25 million tranches. The Company received the first tranche in the amount of $25 millionin December 2012. The loan bears interest at an annual fixed rate of 10.75% of outstanding principal and includes a synthetic royalty component based on net product sales in a calendar year. The fixed and royalty interest are recognized as interest expense as incurred. As of December 31, 2012, there were no royalty payments since the Company had no approved products that generate revenue. Upon regulatory approval of RP103 for cystinosis, such synthetic royalty will be due to HC Royalty.

Debt issuance costs, which were capitalized and included in other long-term assets, are being amortized over the life of the loan using the interest method. .

Intangible Assets

Intangible assets include the intellectual property and other rights relating to DR Cysteamine (currently developed as RP103) and to an out-license acquired in the 2009 Merger. The intangible assets related to RP103 are amortized using the straight-line method over the estimated useful life of 20 years, which is the life of the intellectual property patents. The 20-year estimated useful life is also based upon the typical development, approval, marketing and life cycle management timelines of pharmaceutical drug products. The intangible assets related to the out-license will be amortized using the straight-line method over the estimated useful life of 16 years, which is the life of the intellectual property patents.

Fixed Assets

Fixed assets, which mainly consist of leasehold improvements, lab equipment, computer hardware and software and capital lease equipment, are stated at cost. Depreciation is computed using the straight-line method over the related estimated useful lives, except for leasehold improvements and capital lease equipment, which are depreciated over the shorter of the useful life of the asset or the lease term. Significant additions and improvements that have useful lives estimated at greater than one year are capitalized, while repairs and maintenance are charged to expense as incurred.

Segment Information

The Company has determined that it operates in only one segment, as it only reports profit and loss information on an aggregate basis to its chief operating decision maker. The Company's long-lived assets maintained outside the U.S. are not material.

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Impairment of Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of tangible and identified intangible net assets of businesses acquired. Goodwill is not amortized, but is evaluated for impairment on an annual basis or more often when impairment indicators are present. The Company has one reporting unit. Therefore, the Company's consolidated net assets, including existing goodwill and other intangible assets, are considered to be the carrying value of the reporting unit. If the carrying value of the reporting unit is in excess of its fair value, an impairment may exist, and the Company must perform the second step of the analysis, in which the implied fair value of the goodwill is compared to its carrying value to determine the impairment charge, if any. If the estimated fair value of the reporting unit exceeds the carrying value of the reporting unit, goodwill is not impaired and no further analysis is required.

The Company makes judgments about the recoverability of purchased intangible assets with finite lives whenever events or changes in circumstances indicate that impairment may exist. Recoverability of purchased intangible assets with finite lives is measured by comparing the carrying amount of the asset to the future undiscounted cash flows the asset is expected to generate. Impairment, if any, is measured as the amount by which the carrying value exceeds the fair value of the impaired asset.

Common Stock Warrant Liabilities

The Company issued warrants that contain conditional obligations that may require the Company to transfer cash to settle the warrants upon the occurrence of certain fundamental transactions. Therefore, the Company has classified the warrants as liabilities. The Company re-measures the liability at the end of every reporting period with the change in value reported in the Company's consolidated statements of operations and comprehensive loss. At the exercise date, the fair values of these warrants are re-measured and reclassified to equity.

Income Taxes

Income taxes are recorded under the liability method, under which deferred tax assets and liabilities are determined based on the difference 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 affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Based on the weight of available evidence, including cumulative losses since inception and expected future losses, the Company has determined that it is more likely than not that the deferred tax asset amount will not be realized and therefore a full valuation allowance has been provided on the Company's net deferred tax assets.

The Company identifies uncertain tax positions and discloses any potential tax liability on their financial statements. The Company recognizes interest and/or penalties related to income tax matters as a component of income tax expense. As of December 31, 2012, there was no accrued interest and penalties related to uncertain tax positions.

The Company files U.S. Federal, California, various other state income and other tax returns and various foreign country income tax returns. The Company is currently not subject to any income tax examinations. Due to the Company's net operating losses ("NOLs"), generally all tax years remain open.

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Research and Development

Research and development costs are charged to expense as incurred. Research and development expenses primarily include salaries and benefits for medical, clinical and regulatory personnel, preclinical studies, clinical trials and commercial drug manufacturing expenses prior to obtaining marketing approval. .

Advertising Expenses

The Company expenses advertising costs, including promotional expenses, as incurred. Advertising expenses were $1.3 million, $1.2 million and 2.5 million for the four month period ended December 31, 2012 and the years ended August 31, 2012 and the inception to date period, respectively.

Net Loss per Share

Net loss per share is calculated by dividing net loss by the weighted-average shares of common stock outstanding during the period. Diluted net loss per share is calculated by dividing net loss by the weighted-average shares of common stock outstanding and potential shares of common stock during the period. For all periods presented, potentially dilutive securities are excluded from the computation of fully diluted net loss per share as their effect is anti-dilutive. Potentially dilutive securities include:

	December 31,	August 31,	
	2012	2012	2011
Warrants to purchase common stock	4,563	5,188	7,019
Options to purchase common stock	7,791	6,125	3,581
Total potentially dilutive securities	12,354	11,313	10,600

Net loss per share, basic and diluted, was $(0.37), $(0.80), $(1.15) and $(0.85) for the four months ended December 31, 2012 and the years ended August 31, 2012, 2011 and 2010, respectively.

Comprehensive Loss

The components of comprehensive loss include net loss and foreign currency translation adjustments.

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Stock Option Plan

Compensation cost related to the Company's stock option plans is measured at the grant date based on the fair value of the equity instruments awarded and is recognized on a straight-line basis over the period during which an employee is required to provide service in exchange for the award, or the requisite service period, which is usually the vesting period. The Company recognizes expense associated with stock options issued to third parties, including consultants based upon the fair value of such awards on the date the options vest.

Reclassifications

Certain amounts previously reported under specific financial statement captions have been reclassified to be consistent with the current period presentation.

Recent Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2011-08, Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for Impairment, or ASU 2011-08, which permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. Because the Company has only one reporting unit, which has a fair value higher than its carrying amount, the adoption of ASU 2011-08 had no material impact on its consolidated financial statements.

In July 2012, the FASB issued ASU No. 2012-02, Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment, or ASU 2012-02. ASU 2012-02 simplifies how entities test indefinite-lived intangible assets, other than goodwill, for impairment and permits an entity to first assess qualitative factors to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired. The amendments are effective for annual and interim indefinite-lived intangible asset impairment tests performed for fiscal years beginning after September 15, 2012 (early adoption is permitted). The Company determined that the adoption of ASU 2011-04 did not have a material impact on its consolidated financial statements.

In August 2012, the FASB issued ASU No. 2012-03, Technical Amendments and Corrections to SEC Sections: Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 114, Technical Amendments Pursuant to SEC Release No. 33-9250, and Corrections Related to FASB Accounting Standards Update 2010-22 . The amendments affect various SEC paragraphs: (a) pursuant to the issuance of Staff Accounting Bulletin No. 114; (b) pursuant to the issuance of the SEC's Final Rule, Technical Amendments to Commission Rules and Forms Related to the FASB's Accounting Standards Codification, Release Nos. 33-9250, 34-65052, and IC-29748 August 8, 2011; and (c) related to ASU No. 2010-22, Accounting for Various Topics . These provisions do not amend the effective date of the original pronouncements. The Company determined that ASU 2012-03 did not have a material impact on the Company's consolidated financial statements.

In October 2012, the FASB issued ASU No. 2012-04, Technical Corrections and Improvements, or ASU 2012-04, which makes certain technical corrections and "conforming fair value amendments" to the FASB Accounting

Standards Codification. The amendments affect various codification topics and apply to all reporting entities within the scope of those topics. These provisions of the amendment are effective upon issuance, except for amendments that are subject to transition guidance, which will be effective for fiscal periods beginning after December 15, 2012. The Company determined that ASU 2012-04 did not have a material impact on the Company's consolidated financial statements.

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(3) INTANGIBLE ASSETS AND GOODWILL

On December 14, 2007, the Company acquired the intellectual property and other rights to develop RP103 to treat various clinical indications from the University of California at San Diego ("UCSD") by way of a merger with Encode Pharmaceuticals, Inc., a privately held development stage company ("Encode"), which held the intellectual property license with UCSD. The fair value of the intangible assets acquired at the time of acquisition was approximately $2.6 million.

As a result of the merger with Encode, the Company received the exclusive worldwide license to RP103 (as the same has been amended, the "License Agreement"), developed by clinical scientists at the UCSD, School of Medicine. RP103 is a proprietary enterically coated formulation of cysteamine bitartrate, a cystine depleting agent currently approved by the U.S. Food and Drug Administration ("FDA"). Cysteamine bitartrate is prescribed for the management of the genetic disorder known as nephropathic cystinosis ("cystinosis"), a lysosomal storage disease. The active ingredient in RP103 has also demonstrated potential in studies as a treatment for other metabolic and neurodegenerative diseases, such as Huntington's disease and NASH.

Pursuant to the license agreement with UCSD, the Company is obligated to pay an annual maintenance fee until the commencement of commercial sales of any licensed products developed. The Company is also obligated to pay milestone payments upon the occurrence of certain events, royalties on net sales from products developed pursuant to the license agreement and a percentage of sublicense fees or royalties, if any. The Company is obligated to fulfill predetermined milestones within a specified number of years from the effective date of the license agreement, depending on the indication. To the extent that the Company fails to perform any of the obligations, UCSD may terminate the license or otherwise cause the license to become non-exclusive.

Intangible assets recorded as a result of the 2009 Merger were approximately $0.2 million (net of $0.9 million in-process research and development asset written off during the year ended August 31, 2012 because the related research project was abandoned and the asset was therefore impaired).

A summary of intangibles acquired is as follows (dollars in thousands):

	Useful Life (years)	December 31, 2012	August 31, 2012	2011
Intangible asset (IP license for RP103) related to the Encode merger	20	$ 2,620	$2,620	$2,620
Intangible assets (out-license) related to the 2009 Merger	16	240	240	240
In-process research and development	N/A	0	0	900
Total intangible assets		2,860	2,860	3,760
Less accumulated amortization		(704)	(655)	(509)
Intangible assets, net		$ 2,156	$2,205	$3,251

The intangible assets related to RP103 are being amortized monthly over 20 years, which are the lives of the intellectual property patents and the estimated useful life. The 20 year estimated useful life is also based upon the typical development, approval, marketing and life cycle management timelines of pharmaceutical drug products. The

intangible assets related to the out-license will be amortized using the straight-line method over the estimated useful life of 16 years, which is the life of the intellectual property patents.

During the four months ended December 31, 2012, the years ended August 31, 2012, 2011 and 2010 and the cumulative period from September 8, 2005 (inception) to December 31, 2012, the Company amortized $49, $146, $153, $152 and $746, respectively, of intangible assets to research and development expense.

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Amortization expense for intangible assets for each of the next five years is as follows:

Year ending December 31,	Amortization expense
2013	146
2014	146
2015	146
2016	146
2017	146

The Company tested the carrying value of goodwill for impairment as of December 31, 2012 and determined that there was no impairment.

(4) FIXED ASSETS

Fixed assets consisted of the following:

Category	December 31, 2012	August 31, 2012	2011	Estimated useful lives
Leasehold improvements	$ 146	$ 146	$ 125	Shorter of life of asset or lease term
Office furniture	35	3	3	7 years
Laboratory equipment	593	569	285	5 years
Computer hardware and software	204	205	131	3 years
Capital lease equipment	27	26	14	Shorter of life of asset or lease term
Total at cost	1,005	949	558	
Less: accumulated depreciation	(589)	(546)	(481)	
Total fixed assets, net	$ 416	$ 403	$ 77	

Depreciation expense for the four months ended December 31, 2012, the years ended August 31, 2012, 2011 and 2010 and the cumulative period from September 8, 2005 (inception) to December 31, 2012 was $42, $65, $78, $72 and $608, respectively. Accumulated depreciation on capital lease equipment was $8, $6 and negligible as of December 31, 2012, August 31, 2012 and 2011, respectively.

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(5) FAIR VALUE MEASUREMENT

The Company uses a fair-value approach to value certain assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The Company uses a fair value hierarchy, which distinguishes between assumptions based on market data (observable inputs) and an entity's own assumptions (unobservable inputs). The hierarchy consists of three levels:

· Level one - Quoted market prices in active markets for identical assets or liabilities;

· Level two - Inputs other than level one inputs that are either directly or indirectly observable; and

· Level three - Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

Determining which category an asset or liability falls within the hierarchy requires significant judgment. The Company evaluates its hierarchy disclosures each reporting period. Assets and liabilities measured at fair value on a recurring basis at December 31, 2012, August 31, 2012 and 2011 are summarized as follows:

		Level		December
Assets	Level 1	2	Level 3	31, 2012
Cash equivalents	$35,069	$ 0	$0	$ 35,069
Short-term investments	22,096	0	0	22,096
Total	$57,165	$ 0	$0	$ 57,165
Liabilities				
Common stock warrants	$0	$ 0	$16,405	$ 16,405
Total	$0	$ 0	$16,405	$ 16,405

		Level		August
Assets	Level 1	2	Level 3	31, 2012
Cash equivalents	$13,162	$ 0	$0	$ 13,162
Short-term investments	15,307	0	0	15,307
Total	$28,469	$ 0	$0	$ 28,469
Liabilities				
Common stock warrants	$0	$ 0	$17,266	$ 17,266
Total	$0	$ 0	$17,266	$ 17,266

		Level		August
Assets	Level 1	2	Level 3	31, 2011
Cash equivalents	$13,856	$ 0	$0	$ 13,856
Short-term investments	0	0	0	0
Total	$13,856	$ 0	$0	$ 13,856

Liabilities				
Common stock warrants	$0	$ 0	$23,575	$ 23,575
Total	$0	$ 0	$23,575	$ 23,575

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Cash equivalents and short-term investments represent money market accounts and a short-term bond fund, respectively.

Certain of the Company's common stock warrants are classified as liabilities and are, therefore, re-measured using the Black-Scholes option valuation model at the end of each reporting period with the change in value reported in the Company's consolidated statements of operations and comprehensive loss.

The following table presents a reconciliation of the activity for liability-classified common stock warrants, the Company's recurring fair value measurements categorized within level three of the fair value hierarchy:

Fair value as of September 1, 2010	$	15,780
Change in fair value recognized in earnings		16,301
Exercises		(8,506)
Fair value as of August 31, 2011		23,575
Change in fair value recognized in earnings		3,173
Exercises		(9,482)
Fair value as of August 31, 2012		17,266
Change in fair value recognized in earnings		1,484
Exercises		(2,345)
Fair value as of December 31, 2012	$	16,405

The common stock warrants issued in the Company's August 2010 private placement and the Company's December 2009 equity financing are classified as liabilities under ASC 480 and are, therefore, re-measured using the Black-Scholes option valuation model at the end of every reporting period with the change in value reported in the Company's consolidated statements of operations and comprehensive loss. See Note 11 for further discussion of the fair value of the warrant liability.

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As discussed above, the Company uses the Black-Scholes option pricing model as its method of valuation for warrants that are subject to warrant liability accounting. The determination of the fair value as of the reporting date is affected by Raptor's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, expected stock price volatility over the term of the security and risk-free interest rate. The primary factors affecting the fair value of the warrant liability are the Company's stock price and volatility.
If the Company's December 31, 2012 closing stock price had been 10% lower, its net loss would have been approximately $2.0 million lower. If the Company's August 31, 2012 closing stock price had been 10% higher, its net loss would have been approximately $2.0 million higher

If the Company's December 31, 2012 volatility assumption had been 10% lower, the Company's net loss would have been approximately $0.7 million lower. If the Company's December 31, 2012 volatility assumption had been 10% higher, our net loss would have been approximately $0.7 million higher.

(6) NOTE PAYABLE

On December 20, 2012, the Company entered into a loan agreement with HealthCare Royalty Partners ("HC Royalty"), as lender, under which it agreed to borrow $50.0 million in two $25.0 million tranches (the "HC Royalty Loan"). The Company received $23.4 million in net proceeds from the first tranche of the loan at closing in December 2012. The Company's loan agreement with HC Royalty includes a variety of affirmative and negative covenants, including the use of commercially reasonable efforts to exploit RP103 in specific markets and compliance with laws, as well as restrictions on mergers and sales of assets, incurrence of liens, incurrence of indebtedness and transactions with affiliates and other requirements. To secure the performance of its obligations under the HC Royalty Loan, the Company granted a security interest to HC Royalty in substantially all of its assets, the assets of its subsidiaries and a pledge of stock of certain of its domestic subsidiaries. The Company's failure to comply with the terms of the HC Royalty Loan agreement and related documents, the occurrence of a change of control of the Company or the occurrence of an uncured material adverse effect on the Company, or the occurrence of certain other specified events, could result in an event of default under the HC Royalty Loan agreement that, if not cured or waived, could result in the acceleration of the payment of all of its indebtedness to HC Royalty and interest thereon. Under the terms of the security agreement, in an event of default, the lender could potentially take possession of, foreclose on, sell, assign or grant a license to use, the Company's pledged collateral and assign and transfer the pledged stock of certain of its subsidiaries. Further, HC Royalty may terminate its commitment to fund the second $25.0 million tranche upon the occurrence of any such event prior to the funding of such tranche.

The loan bears interest at an annual fixed rate of 10.75%, and includes a synthetic royalty component based on net product sales in a calendar year. With respect to the first $25.0 million tranche, for each calendar year (prorated for any portion thereof), the loan bears a royalty rate of 6.25% of the first $25.0 million of product net revenues, 3.0% of product net revenues for such calendar year in excess of $25.0 million and below $50.0 million, and 1.0% of product net revenues for such calendar year in excess of $50.0 million, payable quarterly. As of December 31, 2012 there were no royalty payments since the Company had no approved products that generate revenue. Upon regulatory approval of RP103 for cystinosis, such synthetic royalty will be due to HC Royalty. Principal payments under the HC Royalty Loan will become due beginning on the ninth quarterly payment date occurring after the date the second $25.0 million tranche is funded and, in the case of the first tranche loan, in no event later than March 31, 2017.

Interest expense on the loan for the four months ended December 31, 2012 was approximately $0.1 million.

The loan and the Company's obligation to make any payments shall terminate immediately when all payments received by HC Royalty equal $97.5 million. If, by December 20, 2014, net revenue for the immediately preceding four fiscal quarters exceed $100.0 million, then the loan and the Company's obligation to make any payments shall terminate immediately when all payments received by HC Royalty from the Company equal $90.0 million. Debt issuance costs, which were capitalized and included in other long-term assets, are being amortized over the life of the loan to interest expense using the interest method.

Unamortized debt issuance costs totaled $2.0 million as of December 31, 2012. Amortization expense was nominal for the four months ended December 31, 2012.

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(7) ACCRUED LIABILITIES

Accrued liabilities consisted of:

	December 31, 2012	August 31, 2012	2011
Clinical trial and related costs	$ 641	$841	$1,303
Accrued bonuses	502	746	479
Accrued vacation and employee benefits	420	307	143
Salaries and wages	322	94	125
Consulting - general and administrative	167	292	18
Legal fees	44	149	165
Other	31	115	13
Auditing and tax preparation fees	23	108	3
Total accrued liabilities	$ 2,150	$2,652	$2,249

(8) STOCK OPTION PLANS

In February 2010, the Company's Board of Directors approved, and in March 2010 the Company’s stockholders approved, the Raptor Pharmaceutical Corp. 2010 Stock Incentive Plan, as subsequently amended and approved by its stockholders in March 2011 ("Amended Plan"). As of December 31, 2012, there were 8.9 million shares authorized and 1.9 million shares remaining available for issuance.

Stock options are granted to recognize the contributions made by its employees, independent contractors, consultants and directors, to provide those individuals with additional incentive to devote themselves to the Company's future success and to improve its ability to attract, retain and motivate individuals upon whom its growth and financial success depends. Employee stock options generally vest over four years with a six-month cliff-vesting period. In general, all options are exercisable over a period not to exceed the contractual term of ten years from the date the stock options are granted at prices not less than the fair market value of the Company's common stock on the grant date. The Company has and may grant options with different vesting terms from time to time.

The Company recorded employee stock-based compensation expense as follows:

For the four months ended	For the period from September 8, 2005 (inception) to	For the year ended August 31,		
		2012	2011	2010

	December 31, 2012	December 31, 2012			
Research and development	$ 453	$ 2,045	$926	$421	$96
Selling, general and administrative	1,777	8,022	3,561	1,499	121
Total stock-based compensation expense	$ 2,230	$ 10,067	$4,487	$1,920	$217

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Stock-based compensation expense was based on the Black-Scholes option-pricing model assuming the following:

Period*	Risk-free interest rate	Expected life of stock option	Annual volatility
September 8, 2005 (inception) to August 31, 2006**	5 %	10 years	100 %
Year ended August 31, 2007	4 to 5 %	8 years	100 %
Year ended August 31, 2008	2 to 3.75 %	%8 years	109 to 128 %
Year ended August 31, 2009	1.5 to 3.2 %	7 years	170 to 240 %
Year ended August 31, 2010	2.1 to 3.1 %	6 to 7 years	55 to 245 %
Year ended August 31, 2011	1.6 to 2.4 %	6 years	88 to 116 %
Year ended August 31, 2012	0.68 to 1.2 %	5 to 6 years	121 to 125 %
Four months ended December 31, 2012	0.68 to 0.7 %	5 years	95 %

* Dividend rate is 0% for all periods presented.

** Employee stock-based compensation expense was recorded on the consolidated statements of operations commencing on September 1, 2006.

The compensation expense for stock-based compensation awards includes an estimate for forfeitures.

If factors change and different assumptions are employed, the compensation expense recorded in future periods may differ significantly from what was recorded in the current period.

The Company recognizes as an expense the fair value of options granted to persons who are neither employees nor directors. The fair value of expensed options was based on the Black-Scholes option-pricing model assuming the same factors shown in the stock-based compensation expense table above. Stock-based compensation expense for consultants for the four months ended December 31, 2012, the years ended August 31, 2012, 2011 and 2010 and for the cumulative period from September 8, 2005 (inception) to December 31, 2012 was $9, $72, $197, $78 and $764, respectively, of which $147 was included in general and administrative expense and $617 was included in research and development expense for the cumulative period.

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A summary of the activity in the 2010 Equity Incentive Plan, the 2006 Equity Compensation Plan, as amended and the Company's other stock option plans, is as follows:

	Option shares	Weighted-average exercise price	Weighted-average fair value of options granted
Outstanding at September 8, 2005	0	$ 0	$ 0
Granted	580	2.64	2.47
Exercised	0	0	0
Canceled	0	0	0
Outstanding at August 31, 2006	580	2.64	2.47
Granted	107	2.56	2.31
Exercised	(3)	2.57	2.40
Canceled	0	0	0
Outstanding at August 31, 2007	684	2.63	2.45
Granted	223	2.27	2.21
Exercised	0	0	0
Canceled	0	0	0
Outstanding at August 31, 2008	907	2.54	2.39
Granted	82	1.13	1.04
Exercised	0	0	0
Canceled	0	0	0
Outstanding at August 31, 2009	989	2.42	2.40
Granted	303	2.29	1.24
Assumed in the 2009 Merger	161	114.12	2.63
Exercised	(38)	1.69	1.49
Canceled	(24)	142.42	2.00
Outstanding at August 31, 2010	1,391	14.25	1.87
Granted	2,232	3.39	2.54
Exercised	(39)	2.44	2.02
Canceled	(3)	1,088.33	0
Outstanding at August 31, 2011	3,581	6.64	2.30
Granted	2,722	5.38	4.62
Exercised	(160)	2.28	1.72
Canceled	(18)	119.27	0.02
Outstanding at August 31, 2012	6,125	5.87	3.37
Granted	1,759	5.36	3.84
Exercised	(79)	2.45	1.79
Canceled	(14)	6.16	4.49
Outstanding at December 31, 2012	7,791	5.79	3.48

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As of December 31, 2012, the options outstanding under all of the Company's stock option plans consisted of the following (in thousands, except per share data):

	Options outstanding			Options vested and exercisable		
Range of exercise prices ($)	Number of options outstanding (#)	Weighted-average remaining contractual life (years)	Weighted-average exercise price ($)	Number of options exercisable (#)	Weighted-average exercise price	Weighted-average remaining contractual life (years)
$0 to $1.00	9	6.29	$ 0.85	7	$ 0.85	6.29
$1.01 to $2.00	79	6.46	1.78	74	1.76	6.41
$2.01 to $3.00	1,353	5.89	2.66	1,075	2.61	5.42
$3.01 to $4.00	1,764	7.90	3.50	1,229	3.52	7.84
$4.01 to $5.00	310	8.90	4.79	87	4.71	6.65
$5.01 to $6.00	3,884	9.16	5.27	899	5.18	8.83
$6.01 to $7.00	278	9.17	6.48	66	6.50	9.17
$7.01 to $8.00	70	9.13	7.75	14	7.75	9.13
$8.01 to $965.00	44	2.72	249.4	43	249.43	2.72
	7,791	8.23	5.79	3,494	6.80	7.25

The aggregate intrinsic value of stock options outstanding as of December 31, 2012 was $10.0 million. The aggregate intrinsic value of stock options exercisable as of December 31, 2012 was $ 6.8 million.

The number of options outstanding, vested and expected to vest as of December 31, 2012 was 7,644 and the weighted-average remaining contractual life was 8.2 years. The aggregate intrinsic value and the weighted-average intrinsic value of stock options outstanding, vested and expected to vest as of December 31, 2012 was $10.3 million and $1.34 per option, respectively.

The number of options outstanding, vested and expected to vest as of August 31, 2012 was 5.93 million and the weighted-average remaining contractual life was 7.0 years. The aggregate intrinsic value and the weighted-average intrinsic value of stock options outstanding, vested and expected to vest as of August 31, 2012 was 5.95 million and 1.00 per option, respectively.

At December 31, 2012, the total unrecognized compensation cost was approximately $15.5 million. The weighted-average period over which it is expected to be recognized is 3 years.

(In thousands, except for per share data)	For the four months ended December 31, 2012	For the year ended August 31, 2012	2011

Aggregate intrinsic value of options exercised	$228	$602	$131

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(9) INCOME TAXES

The Company had losses before income taxes for domestic and foreign operations as follows:

(In thousands)	For the four months ended December 31, 2012	For the year ended August 31, 2012	2011	2010
Domestic	$12,510	$26,642	$37,415	18,779
Foreign	6,782	12,002	(220)	149
Loss before income taxes	$19,292	$38,644	$37,195	18,928

The provision for income taxes differs from the amount estimated by applying the statutory federal income tax rate to loss before taxes as follows:

	December 31, 2012		August 31, 2012		2011		2010	
Federal tax (benefit) at statutory rate	$(6,536)	-34.00%	$(13,111)	-34.00%	$(12,679)	-34.00%	$(6,391)	-34.00%
State tax (benefit) at statutory rate, net of federal tax benefit	(715)	-3.72 %	(1,069)	-2.77 %	(2,247)	-6.03 %	(953)	-5.07 %
Change in valuation allowance	2,349	12.22 %	4,775	12.38 %	19,278	51.70 %	6,068	32.28 %
Research and development credits	0	0.00 %	(1,034)	-2.68 %	(1,831)	-4.91 %	(708)	-3.77 %
Fair market value of warrants	505	2.62 %	1,079	2.80 %	5,543	14.86 %	2,004	10.66 %
Qualified Therapeutic Discovery Project Grant income	0	0.00 %	0	0.00 %	(297)	-0.80 %	0	0.00 %
Intangible asset basis allocation	1,670	8.69 %	2,952	7.66 %	(8,633)	-23.15%	(20)	-0.11 %
Stock-based compensation - ISO	755	3.93 %	1,525	3.95 %	493	1.32 %	2	0.01 %
Foreign losses not benefited	1,995	10.38 %	3,848	9.98 %	0	0.00 %	0	0.00 %
Other	(23)	-0.12 %	1,035	2.68 %	373	1.01 %	(2)	0.00 %
Provision for income taxes	$0	0.00 %	$0	0.00 %	$0	0.00 %	$0	0.00 %

Deferred tax assets (liabilities) consist of the following:

	December 31, 2012	August 31, 2012	2011	2010
Deferred tax assets				
Net operating loss carryforwards	$19,514	$18,075	$14,940	9,155
Capitalized start-up costs	11,160	8,946	6,636	3,487
Stock option expense	425	462	462	268
Research credits	7,970	7,873	6,275	3,513
Fixed assets and intangibles	3,786	5,766	7,560	56
Accruals	330	105	138	217

Other	(50)	(441)	0	37
Deferred tax assets	43,135	40,786	36,011	16,733
Valuation allowance	(43,135)	(40,786)	(36,011	(16,733)
Deferred tax assets, net	$0	$0	$0	0

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As of December 31, 2012, the Company had net operating loss carryforwards for U.S. federal and U.S. state income tax purposes of approximately $45.0 million and $63.1 million, respectively, which expire beginning after 2022 and 2016, respectively. As of December 31, 2012 the Company had federal and state research development credits of $7.5 million and $0.7 million, respectively. The federal credits expire beginning after 2026 and the state credits do not expire. Due to U.S. federal legislation on January 2, 2013 extending federal research development tax credits from January 1, 2012 to December 31, 2012, the Company will record an additional $4.7 million of credits in the tax year 2013.

As of December 31, 2012, the Company's net operating loss carryforwards for federal and state income tax purposes include approximately $0.4 million and $0.0 million on a gross basis, respectively, of losses attributable to stock option tax expense deductions.

The valuation allowance increased approximately $2.3 million during the period ending December 31, 2012, primarily as a result of current year losses and tax credits.

Utilization of the Company's net operating loss may be subject to substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such an annual limitation could result in the expiration of the net operating loss before utilization.

The Company has analyzed its tax positions in all of the federal, state and foreign jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. As of December 31, 2012, the Company had no unrecognized tax benefits and has recorded no liability related to uncertain tax positions. The Company did not record a change in its unrecorded tax benefits during the four months ended December 31, 2012, and cannot with certainty predict if a change in its unrecorded tax benefits will occur in the next 12 months.

Due to net operating loss and research credit carryforwards, substantially all of the Company's tax years, from 2001 through 2012, remain open to U.S. federal, state and foreign tax examinations.

The Company is not aware of any pending income tax audits. Significant components of the Company's deferred tax assets for income tax purposes are net operating loss carryforwards, capitalized start-up costs, stock-based compensation and research credits. Due to the Company's lack of earning history, any deferred assets recorded have been fully offset by a valuation allowance.

The Company’s practice is to recognize interest and penalties related to income tax matters as a component of income tax expense. As of December 31, 2012, there was no accrued interest and penalties related to uncertain tax positions.

(10) ISSUANCE OF COMMON STOCK

As of December 31, 2012, there were 52,425 shares of the Company's common stock outstanding.

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ISSUANCES OF COMMON STOCK AND WARRANTS IN CONNECTION WITH THE SALE OF UNITS IN A PRIVATE PLACEMENT

During the period from May 21, 2008 through June 27, 2008, Raptor entered into a securities Purchase Agreement, as amended (the "2008 Private Placement Purchase Agreement"), with 11 investors for the private placement of units of the Company, each unit comprised of one share of Raptor's Common Stock and one warrant to purchase one half of one share of Raptor's Common Stock, at a purchase price of $2.14 per unit. Pursuant to the 2008 Private Placement Purchase Agreement, the Company sold an aggregate of 4,662 shares of common stock for aggregate gross proceeds of $10.0 million and issued to the investors warrants, exercisable for two years from the initial closing, which entitle the investors to purchase up to an aggregate of 2,331 shares of common stock of the Company. These warrants have an exercise price of either $3.22 or $3.86 per share, depending on when such warrants are exercised, if at all, were classified as equity and were valued at approximately $3.0 million (using the following Black-Scholes pricing model assumptions: risk-free interest rate 2%; expected term 2 years and annual volatility 121.45%).

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In connection with the 2008 Private Placement Purchase Agreement, the Company issued warrants and a cash fee to placement agents. Placement agents were issued warrants exercisable for five years which allow the agents to purchase 490 shares of the Company’s common stock and a cash fee of $700. The placement agent warrants had an exercise price of $2.36 per share and were classified as equity (valued at approximately $960 using the following Black-Scholes pricing model assumptions: risk-free interest rate 2%; expected term 5 years and annual volatility 121.45%). Of the placement agents compensated, Limetree Capital was issued warrants to purchase 439 shares of Raptor's Common Stock and cash commission of $628. One of the members of the Company's board of directors served on the board of Limetree Capital.

On April 29, 2009, in order to reflect current market prices, Raptor offered the holders of warrants issued in connection with the 2008 Private Placement Purchase Agreement, in exchange for such warrants, new warrants to purchase the Company’s common stock at an exercise price of $1.29 per share, to the extent such exchange of the original warrants and exercise of the new warrants, including the delivery of the exercise price, occurred on or prior to July 17, 2009. The new warrants were classified as equity and valued at approximately $2.3 million based on the following Black-Scholes pricing model assumptions: risk-free interest rate 0.55%; expected term 1 year and annual volatility 231.97%. The warrants that were not exchanged prior to or on July 17, 2009 retained their original exercise prices of $3.86 per share and original expiration date of May 21, 2010. The Company received $2,615 of proceeds from warrant exercises that resulted in the issuance of 2,032 shares of Raptor's common stock pursuant to the exchange described above.

On August 21, 2009, Raptor entered into a securities purchase agreement, pursuant to which the Company sold an aggregate of 1,738 units to the investors for aggregate gross proceeds of $2,386. The 1,738 units were comprised of an aggregate of 1,738 shares of common stock and warrants to purchase up to 869 shares of the Company’s common stock. The warrants were valued at $1.0 million (using the following Black-Scholes pricing model assumptions: risk-free interest rate 1.11%; expected term 2 years and annual volatility 240.29%) and classified in equity at issuance. The warrants were exercisable for two years from the closing and have an exercise price of either $2.57 until the first anniversary of issuance or $3.22 per share after the first anniversary of issuance.

In connection with the August 2009 private placement, the Company issued warrants to purchase 130 shares of the Company’s common stock with an exercise price of $1.50 per share and a cash fee of $59 to Limetree Capital as its sole placement agent. The warrants are exercisable for five years and were valued at approximately $171 using the following Black-Scholes pricing model assumptions: risk-free interest rate 2.58%; expected term 5 years and annual volatility 240.29%.

2009 MERGER AND NASDAQ LISTING

On September 29, 2009, the Company, formerly known as TorreyPines Therapeutics, Inc. ("TorreyPines") and Raptor Pharmaceutical Corp. ("RPC") completed a reverse merger. The Company changed its name to "Raptor Pharmaceutical Corp." and commenced trading on September 30, 2009 on the NASDAQ Capital Market under the ticker symbol "RPTP". Effective February 29, 2012, the Company's common stock commenced trading on the NASDAQ Global Market. In connection with the merger, the Company assumed all of the TorreyPines stock options and warrants outstanding at the time of the merger. The warrants are exercisable at $80.86 per share and expire on various dates through September 2015.

In connection with the exchange of shares in the merger, immediately after the effective time of such merger, RPC and the Company's stockholders owned 95% and 5% of the outstanding shares of the combined company, respectively. RPC stockholders received (as of immediately prior to such merger) 17,881 shares of the combined company's common stock in exchange for the 76,703 shares of RPC's common stock outstanding immediately prior to the closing of the merger. On September 29, 2009, immediately prior to the effective time of such merger, the Company's board of directors, with the consent of RPC's board of directors, acted to effect a reverse stock split of 1-for-17. Due to the reverse stock split implemented by the Company, the 15,999 shares of the Company's common stock outstanding immediately prior to the closing of the merger became 941 shares of the combined Company's common stock.

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There were a number of factors that RPC's board of directors considered in approving the 2009 Merger. The primary reason for RPC's board of directors' decision to merge with TorreyPines was the benefit anticipated from the additional liquidity expected from having a NASDAQ trading market on which the combined company's common stock could be listed, in addition to having access to an expanded pipeline of product candidates across a wider spectrum of diseases and markets.

The liquidity benefit is the primary factor behind the goodwill recognized in the transaction (see below). The goodwill is expected to be fully deductible for tax purposes. Below is a breakdown of the assets acquired and liabilities assumed in the merger described herein (in millions):

Asset Allocation	Value
Cash and equivalents	$0.58
Other current assets	0.10
Accrued liabilities	(0.68)
Intangible assets:	
In-process research and development	0.90
Licenses	0.24
Total identifiable assets	1.14
Goodwill	3.28
Total net assets acquired	$4.42

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ISSUANCES OF COMMON STOCK AND WARRANTS IN CONNECTION WITH THE SALE OF UNITS IN A REGISTERED DIRECT OFFERING

On December 17, 2009, the Company entered into a placement agent agreement (the "2009 Placement Agent Agreement"), pursuant to a registered direct offering (the "Direct Offering") of up to 3,748 units (the "Units"), consisting of (i) 3,748 shares of the Company's common stock, (ii) warrants to purchase an aggregate of up to 1,874 shares of the Company's common stock (the "Series A Warrants"), and (iii) warrants to purchase an aggregate of up to 1,874 shares of the Company's common stock (the "Series B Warrants," and collectively with the Series A Warrants, the "Investor Warrants"). Gross proceeds from sale of the Units totaled $7.5 million (for net proceeds of $6.2 million after commissions and expenses).

The Series A Warrants were exercisable during the period beginning one hundred eighty (180) days after the date of issue and ending on the fifth (5th) anniversary of the date of issue. The Series B Warrants were exercisable during the period beginning one hundred eighty (180) days after the date of issue and ending on the eighteen (18) month anniversary of the date of issue. The Investor Warrants have a per share exercise price of $2.45. At issuance, the Series A Warrants were valued at $1.3 million (using the following Black-Scholes pricing model assumptions: risk-free interest rate 2.23%; expected term 5 years and annual volatility 49.28%) and the Series B Warrants were valued at $0.5 million (using the following Black-Scholes pricing model assumptions: risk-free interest rate 0.56%; expected term 18 months and annual volatility 49.28%). Based on the underlying terms of the Investor Warrants and Placement Agent Warrants, these warrants are classified as a liability, as discussed further below in Note 11.

The 2009 Placement Agent received a placement fee r of $512 in cash and warrants to purchase up to an aggregate of 75 shares of the Company's common stock at $2.50 per share (valued at approximately $52 using the following Black-Scholes pricing model assumptions: risk-free interest rate 2.23%; expected term 5 years and annual volatility 49.28%) . The warrants issued to the placement agent has the same terms and conditions as the Investor Warrants except that the exercise price is $2.50 per share, and the expiration date is five years from the effective date of the registration statement for the Direct Offering.

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ISSUANCES OF COMMON STOCK IN CONNECTION WITH AN EQUITY LINE

On April 16, 2010, the Company signed a purchase agreement with Lincoln Park Capital Fund, LLC ("LPC"), together with a registration rights agreement, whereby LPC agreed to purchase up to $15.0 million of the Company's common stock over a 25 month period. The purchase price of the shares issued to LPC under the purchase agreement is based on the prevailing market prices of the Company's shares at the time of sale without any fixed discount. The Company controlled the timing and amount of any sales of shares to LPC. LPC did not have the right or the obligation to purchase any shares of the Company's common stock on any business day that the purchase price of the Company's common stock was below $1.50 per share.

In consideration for entering into the purchase agreement, the Company issued to LPC 145 shares of common stock valued at $247 (recorded as deferred offering costs on the Company's consolidated balance sheet and amortized over the usage of the equity line) as a commitment fee and was required to issue up to an additional 218 shares of its common stock pro rata as LPC purchased up to $15.0 million of the Company's common stock over the 25-month agreement period. Since inception of this agreement, the Company sold 4,186 shares to LPC at a weighted-average price of $2.78 and paid commitment fees to LPC in the form of 169 shares (in addition to the 145 shares issued as the initial commitment fee), valued at $581.

2010 PRIVATE PLACEMENT

In August 2010, the Company entered into a securities purchase agreement for the private placement (the "2010 Private Placement") of the Company's common stock and warrants to purchase its common stock, at a purchase price of $3.075 per unit, with each unit comprised of one share of common stock and a warrant to purchase one share of common stock.

The Company sold an aggregate of 4,898 units, comprised of 4,898 shares of common stock and warrants to purchase up to 4,898 shares of its common stock for gross proceeds of approximately $15.1 million. Each warrant, exercisable for 5 years from August 12, 2010, has an exercise price of $3.075 per share. The warrants issued to investors were initially valued at approximately $7.8 million (using the following Black-Scholes pricing model assumptions: risk-free interest rate 1.74%; expected term 5 years and annual volatility 85.14%). The placement agent was paid a cash commission of $979 and issued warrants to purchase 98 shares of the Company's common stock, which were classified as equity and valued at approximately $0.2 million (based upon the same Black-Scholes inputs as the investor warrants). Based on the underlying terms, these warrants are classified as a liability, as discussed further below in Note 11.

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2011 FOLLOW-ON PUBLIC OFFERING

On September 13, 2011, the Company closed an underwritten public offering of shares of the Company's common stock at a price to the public of $4.00 per share. The shares sold in the offering included 10.0 million shares of common stock plus an additional 1.5 million shares of common stock pursuant to the exercise by the underwriters of the over-allotment option the Company granted to them. Gross proceeds to the Company in the offering (including in connection with the sale of the shares of common stock pursuant to the exercise of the over-allotment option) totaled $46.0 million, before underwriting discounts and commissions. The offering resulted in net proceeds to the Company of approximately $42.8 million after deduction of underwriting discounts of 6% and other offering expenses paid by the Company.

ISSUANCES OF COMMON STOCK IN CONNECTION WITH AN AT-THE-MARKET COMMON STOCK SALES PROGRAM

On April 30, 2012, the Company entered into an "At-the-Market" ("ATM") Sales Agreement, with Cowen and Company, LLC ("Cowen"), under which the Company may, at its discretion, sell its common stock with a sales value of up to a maximum of $40 million through ATM sales on the NASDAQ Stock Market. Cowen acts as sole sales agent for any sales made under the ATM for a 3% commission on gross proceeds. The common stock is being sold at prevailing market prices at the time of the sale of common stock, and, as a result, prices may vary.

Sales in the ATM offering are being made pursuant to the prospectus supplement dated April 30, 2012, as amended by Amendment No. 1 dated June 28, 2012, which supplements the Company's prospectus dated February 3, 2012, filed as part of the shelf registration statement that was declared effective by the SEC on February 3, 2012. Through December 31, 2012, the Company sold 2,660 shares under the ATM at a weighted-average selling price of $5.20 per share for net proceeds of approximately $13.3 million.

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(11) WARRANTS

The table reflects the number of common stock warrants outstanding as of December 31, 2012:

	Number of shares exercisable	Exercise price	Expiration date
Issued in connection with Encode merger	233	$ 2.87	12/13/2015
Issued to placement agents in May / June 2008	433	$ 2.36	5/21/2013
Issued to placement agents in August 2009	65	$ 1.50	8/21/2014
TorreyPines warrants assumed in 2009 Merger	8	$ 80.86	*6/11/2013-9/26/2015
Issued to registered direct investors in December 2009	631	$ 2.45	12/22/2014
Issued to private placement investors in August 2010	3,095	$ 3.075	8/12/2015
Issued to placement agent in August 2010	98	$ 3.075	8/12/2015
Total warrants outstanding	4,563	$ 3.03	*

*Weighted-average exercise price

The warrants issued by the Company in the August 2010 private placement and the December 2009 equity financing contain a conditional obligation that may require the Company to transfer assets to repurchase the warrants upon the occurrence of potential future events. A financial instrument that may require the issuer to settle the obligation by transferring assets is classified as a liability. Therefore, the Company has classified the warrants from both financings as liabilities and marks them to fair value at each period end.

A Black-Scholes option-pricing model was used to estimate the fair value of the warrants issued in the December 2009 and August 2010 equity financings using the following assumptions at December 31, 2012, August 31, 2012 and 2011:

	December 2009 equity financing			August 2010 private placement Investors and placement agent		
	December 31, 2012	August 31, 2012	2011	December 31, 2012	August 31, 2012	2011
Fair value ($ millions)	$2.6	$2.9	$5.9	$13.8	$14.4	$17.7
Black-Scholes inputs:						
Stock price	$5.85	$4.97	$4.73	$5.85	$4.97	$4.73
Exercise price	$2.45	$2.45	$2.45	$3.075	$3.075	$3.075
Risk free interest rate	0.25%	0.22%	0.38%	0.31 %	0.30 %	0.70 %
Volatility	100 %	125 %	116 %	112 %	125 %	116 %

Expected term (years)	2.00	2.25	3.25	2.50	3.00	4.00
Dividend	0	0	0	0	0	0

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For the four months ended December 31, 2012 and the years ended August 31, 2012, 2011 and 2010, and for the cumulative period from September 8, 2005 (inception) to December 31, 2012, the Company recorded losses of approximately $1.5 million, $3.2 million, $16.3 million, $5.9 million and $26.9 million, respectively, in its consolidated statements of operations and comprehensive loss from changes in the fair values of warrants.

(12) COMMITMENTS AND CONTINGENCIES

CONTRACTUAL OBLIGATIONS WITH UCSD RELATING TO THE ACQUISITION OF THE DR CYSTEAMINE (RP103) LICENSE

Pursuant to the license agreement with UCSD, the Company is obligated to pay an annual maintenance fee until the commencement of commercial sales of any licensed products developed. The Company is also obligated to pay milestone payments upon the occurrence of certain events, royalties on net sales from products developed pursuant to the license agreement and a percentage of sublicense fees or royalties, if any The Company is obligated to fulfill predetermined milestones within a specified number of years from the effective date of the license agreement, depending on the indication. In March 2012, the Company filed its Marketing Authorization Application (“MAA”) with the European Medicines Agency (“EMA”), as well as its New Drug Application (“NDA”) with the FDA, for RP103 for the potential treatment of cystinosis and paid a milestone payment to UCSD related to these milestones. Cumulatively, the Company has expensed $910 in milestone payments to UCSD based upon the initiation of clinical trials in cystinosis, Huntington's disease and NASH and on regulatory filings in cystinosis. Future milestones will be payable if the MAA and NDA for cystinosis are approved. To the extent that the Company fails to perform any of its obligations under the license agreement, then UCSD may terminate the license or otherwise cause the license to become non-exclusive.

LEASES

Rent expense for the Company's facilities was approximately $0.1 million, $0.2 million, $0.2 million, $0.2 million and $0.5 million for the four months ended December 31, 2012, the years ended August 31, 2012, 2011 and 2010 and the cumulative period from September 8, 2005 (inception) to December 31, 2012. The Company records such rent on a straight-line basis.

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The Company has contractual obligations under its operating leases and other obligations related to research and development activities, purchase commitments and licenses. Information about these obligations as of December 31, 2012 is presented in the table below (in thousands):

	Payments due by period						
	2013	2014	2015	2016	2017	Thereafter	Total
Debt principal	$2,688	$2,688	$2,688	$2,688	$7,486	$ 23,359	$41,597
Capital lease obligations	9	9	3	0	0	0	21
Operating lease obligations	38	0	0	0	0	0	38
Research and development and purchase commitments	8,347	2,061	331	244	244	1,425	12,652
Total	$11,082	$4,758	$3,022	$2,932	$7,730	$ 24,784	$54,308

The Company maintained several contracts with drug labelers and distributors, research organizations, contract manufacturers, clinical organizations and clinical sites, primarily to assist with clinical research and clinical manufacturing for its cystinosis and HD programs and its NASH clinical collaboration. The future commitments pursuant to these agreements are included in the table above as research and development and purchase commitments.

The Company is also subject to contingent payments related to various development activities totaling approximately $15.0 million, which are due upon achievement of certain development and commercial milestones, and if they occur before certain dates in the future. These contingent payments are not included in the table above as we cannot reliably predict their timing or occurrence.

(13) QUALIFYING THERAPEUTIC DISCOVERY PROJECT GRANT

In October 2010, the Company was awarded a tax grant under the U.S. Government's Qualifying Therapeutic Discovery Project for five of its research programs including its cystinosis, Huntington's disease and NASH clinical programs and its HepTide™ and WntTide™ preclinical cancer research programs. The Company was granted an aggregate of approximately $1.1 million for all five programs of which, as of August 31, 2011, it had received approximately $874. The Company recorded the $874 of proceeds as a contra-research and development expense during the first two quarters of fiscal year 2011. During the fiscal year ended August 31, 2012, the Company received approximately $162 pursuant to the government program funding guidelines and the remaining balance of approximately $36 was drawn but was returned to the government in March 2012 along with an additional $28 as recapture tax because the Company had not incurred the amount originally estimated as qualified expenses for its WntTide™ program, which was the basis for the program funding. The Company records the contra-expense upon receipt of the grant proceeds.

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(14) RELATED PARTY TRANSACTIONS

Based upon contractual obligations related to the acquisition of our Convivia program from a privately-held company in which Mr. Daley, president of clinical development, has a significant interest, the Company issued to Mr. Daley, President of Raptor Therapeutics, 58 shares of Raptor's common stock valued at $119 at issuance and paid $70 in cash bonuses related to Convivia milestones along with another $20 in cash bonuses related to employment milestones pursuant to Mr. Daley's employment agreement. As no Convivia milestones were met in 2013, no amounts were expensed on the accompanying consolidated statements of operations and comprehensive loss during the fiscal year ended December 31, 2012.

One of the members of Raptor's board of directors served on the board of directors of Limetree Capital (“Limetree”). In connection with the May / June 2008 private placement, the Company issued to Limetree warrants to purchase 439 shares of Raptor's common stock and $628 in cash commissions. In connection with the August 2009 private placement, the Company issued to Limetree warrants to purchase 130 shares of the Company’s common stock and $59 in cash commissions. Also, commencing on April 1, 2009, the Company engaged Limetree to support its investor relations efforts in Europe for a nominal monthly retainer. Through August 31, 2009, the Company has paid $13 in such fees to Limetree.

In August 2010, the Company entered into a consulting agreement with one of the members of its board of directors to provide business development support for a seven-month period at a monthly retainer totaling $42 plus living expenses totaling $30 per month.

(15) QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table presents selected unaudited quarterly results of operations in conjunction with the consolidated financial statements. These unaudited results were prepared on the same basis as the Company's audited consolidated financial statements. The Company's quarterly operating results have fluctuated in the past and may continue to do so in the future as a result of a number of factors, including, but not limited to, the timing and amounts of its revenues and the timing and nature of research and development activities.

	(In millions, except per share data, unaudited)
	November 30, 2012
Quarterly Data for the Four Months Ended December 31, 2012:	(1)
Net loss	$(13.4)
Net loss per share, basic and diluted	$(0.26)

	November 30, 2011	February 29, 2012	May 31, 2012	August 31, 2012
Quarterly Data 2012:				
Net loss	$(11.4)	$ (14.0)	$(3.0)	$(10.2)

Net loss per share, basic and diluted	$(0.25)	$ (0.29)	$(0.06)	$(0.21)

Quarterly Data 2011:	November 30, 2010	February 28, 2011	May 31, 2011	August 31, 2011
Net loss	$(10.1)	$ (3.0)	$(20.3)	$(3.8)
Net loss per share, basic and diluted	$(0.33)	$ (0.09)	$(0.62)	$(0.11)

Quarterly Data 2010:	November 30, 2009	February 28, 2010	May 31, 2010	August 31, 2010
Net loss	$(2.9)	$ (4.2)	$(7.4)	$(4.4)
Net loss per share, basic and diluted	$(0.16)	$ (0.19)	$(0.33)	$(0.17)

(1) The Company changed its fiscal year end to December; the four month transition period included one quarterly report on Form 10-Q for the three months ended November 30, 2012.

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Schedule II: Valuation and Qualifying Accounts
(in millions)

Valuation allowance for deferred tax assets	Balance at beginning of year	Additions charged to expenses/other accounts	Net (deductions) recoveries	Balance at end of year
Four months ended December 31, 2012	$ 41	$ 2	$ 0	$ 43
2012	$ 36	$ 5	$ 0	$ 41
2011	$ 17	$ 19	$ 0	$ 36
2010	$ 9	$ 8	$ 0	$ 17