

FIVE PRIME THERAPEUTICS INC

FORM DEF 14A (Proxy Statement (definitive))

Filed 03/31/17 for the Period Ending 05/10/17

Address	TWO CORPORATE DRIVE SOUTH SAN FRANCISCO, CA 94080
Telephone	415-365-5600
CIK	0001175505
Symbol	FPRX
SIC Code	2834 - Pharmaceutical Preparations
Industry	Biotechnology & Medical Research
Sector	Healthcare
Fiscal Year	12/31

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

**SCHEDULE 14A
(RULE 14a-101)
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)**

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

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

FIVE PRIME THERAPEUTICS, INC.

(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:

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 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

 - (4) Proposed maximum aggregate value of transaction:

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 - (2) Form, Schedule or Registration Statement No.:

 - (3) Filing Party:

 - (4) Date Filed:

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Five Prime Therapeutics, Inc.

March 31, 2017

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Five Prime Therapeutics, Inc., which we will hold on May 10, 2017 at 8:30 a.m., Pacific time, at our corporate headquarters, located at Two Corporate Drive, South San Francisco, California 94080.

The attached Notice of Annual Meeting of Stockholders and proxy statement describe the formal business that we will transact at the Annual Meeting.

The Board of Directors of Five Prime Therapeutics, Inc. has determined that an affirmative vote on each matter that calls for an affirmative vote is in the best interest of Five Prime Therapeutics, Inc. and its stockholders and unanimously recommends a vote "For" all such matters considered at the Annual Meeting. The Board of Directors has also determined that a vote of "three years" for Proposal 3 is in the best interest of Five Prime Therapeutics, Inc. and its stockholders and unanimously recommends a vote for "three years" for Proposal 3.

Please promptly submit your proxy by telephone, Internet or by mail whether or not you plan to attend the Annual Meeting. **Your vote is important regardless of the number of shares you own. Voting by proxy will not prevent you from voting in person at the Annual Meeting, but it will assure that your vote is counted if you cannot attend.**

On behalf of the Board of Directors and the employees of Five Prime Therapeutics, Inc., we thank you for your continued support and look forward to seeing you at the Annual Meeting.

Sincerely yours,

A handwritten signature in black ink that reads "L. T. Williams".

Lewis T. Williams
President, Chief Executive Officer and Chairman of the Board

IF YOU HAVE ANY QUESTIONS, PLEASE CALL US AT (415) 365-5600

FIVE PRIME THERAPEUTICS, INC.
Two Corporate Drive
South San Francisco, California 94080
(415) 365-5600

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

- DATE** Wednesday, May 10, 2017
- TIME** 8:30 A.M., Pacific time
- PLACE** Two Corporate Drive
South San Francisco, California 94080
- ITEMS OF BUSINESS**
- (1) To elect the two nominees named in the attached proxy statement as directors, each to serve on the Board of Directors for a three-year term.
 - (2) To hold an advisory vote on the compensation paid to our named executive officers.
 - (3) To hold an advisory vote on the frequency of future advisory votes on the compensation paid to our named executive officers.
 - (4) To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017.
 - (5) To transact any other business properly brought before the Annual Meeting or any adjournment or postponement thereof.
- RECORD DATE** The record date for the Annual Meeting is March 13, 2017. Only stockholders of record as of the close of business on that date may vote at the Annual Meeting or any adjournment thereof.
- PROXY VOTING** You are cordially invited to attend the Annual Meeting in person. Whether or not you expect to attend the Annual Meeting, please promptly submit your proxy by telephone or Internet or by signing and returning the enclosed proxy card or voter instruction form, as applicable. Submitting a proxy will not prevent you from attending the Annual Meeting and voting in person. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the Annual Meeting, you must obtain a proxy issued in your name from that record holder.
- A list of stockholders entitled to vote at the Annual Meeting will be available for inspection by any stockholder at the offices of Five Prime Therapeutics, Inc. for a period of 10 days prior to the Annual Meeting until the close of the Annual Meeting.

By Order of the Board of Directors,



Francis W. Sarena
*Chief Strategy Officer and
Secretary*

South San Francisco, California
March 31, 2017

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON
MAY 10, 2017**

While we are sending you this full set of proxy materials, this notice of annual meeting of stockholders, the proxy statement and our annual report to stockholders for the year ended December 31, 2016 are also available free of charge at investor.fiveprime.com/sec.cf.m. Information included on our website, other than the notice of annual meeting of stockholders, the proxy statement and the annual report to stockholders for the year ended December 31, 2016, is not part of the proxy soliciting materials.

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**PROXY STATEMENT FOR THE
2017 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 10, 2017**

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

Why am I receiving these materials?

We have sent you this proxy statement, our Annual Report on Form 10-K for the fiscal year ended 2016 and the proxy card or voter instruction form, as applicable, collectively, the Proxy Materials, because our Board of Directors, or the Board, is soliciting your proxy to vote at the 2017 Annual Meeting of Stockholders, or the Annual Meeting. This proxy statement summarizes the information you will need to know to cast an informed vote at the Annual Meeting. You do not need to attend the Annual Meeting to vote your shares. You may vote by proxy over the telephone, Internet or by mail, and your votes will be cast for you at the Annual Meeting. This process is described below in the section titled "Voting Procedures."

We plan to mail the Proxy Materials to all stockholders entitled to vote on or about March 31, 2017. If you owned our common stock as of the close of business on March 13, 2017, the record date, you are entitled to vote at the Annual Meeting. As used in this proxy statement, "we," "us" and "our" refer to Five Prime Therapeutics, Inc. The term "Annual Meeting," as used in this proxy statement, includes any adjournment or postponement of such meeting.

Will I receive any other proxy materials?

Rules adopted by the Securities and Exchange Commission, or the SEC, allow companies to send stockholders a notice of Internet availability of proxy materials rather than mail them full sets of proxy materials. This year, we chose to mail full packages of Proxy Materials to stockholders. However, in the future we may take advantage of the Internet distribution option. If in the future we choose to send such notices, they would contain instructions on how stockholders can access our notice of annual meeting and proxy statement via the Internet. They would also contain instructions on how stockholders could request to receive their materials electronically or in printed form on a one-time or ongoing basis.

Who can vote at the Annual Meeting?

Only stockholders of record as of the close of business on March 13, 2017 will be entitled to vote at the Annual Meeting. On this date, there were 28,767,170 shares of common stock issued and outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on March 13, 2017, your shares were registered directly in your name with our transfer agent, Computershare Trust Company, N.A., then you are a stockholder of record. As a stockholder of record, you may (a) vote in person at the Annual Meeting or (b) vote by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy over the telephone, Internet or by mail as instructed below to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If on March 13, 2017, your shares were held not in your name, but rather in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in "street name." The organization holding your account is considered to be the stockholder of record for purposes of voting at the Annual Meeting.

As a beneficial owner, you may vote by proxy by completing and mailing the voter instruction form you receive in the mail with your Proxy Materials to ensure that your vote is counted. Alternatively, you may vote by telephone or over the Internet as provided on your voter instruction form or instructed by your broker or bank, if applicable. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank or other agent. Contact your broker or bank to request a proxy form.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if stockholders holding at least a majority of our outstanding shares of common stock entitled to vote at the Annual Meeting are present at the Annual Meeting in person or represented by proxy.

We will count your shares towards the quorum only if you submit a valid proxy or voter instruction form, as applicable, or if you vote in person at the Annual Meeting or vote by proxy over the telephone or the Internet as instructed below. We will count abstentions and broker non-votes towards the quorum requirement. If there is no quorum, the chairman of the Annual Meeting or the holders of a majority of shares present at the Annual Meeting in person or represented by proxy may adjourn the Annual Meeting to another date.

What am I voting on and how many votes are needed to approve or take action with respect to each proposal?

Proposal 1: Election of Directors. Directors will be elected by a plurality of the votes cast at the Annual Meeting by the holders of shares present in person or represented by proxy and entitled to vote on the election of directors. "Plurality" means that the individuals who receive the largest number of "For" votes cast are elected as directors, up to the maximum number of directors to be elected at the Annual Meeting. Accordingly, the two nominees receiving the most "For" votes will be elected as directors. Abstentions and broker non-votes will not affect the outcome of the election of directors. You may not vote your shares cumulatively for the election of directors.

Proposal 2: Advisory Vote on Executive Compensation . Our Board is seeking a non-binding advisory vote regarding the compensation of our named executive officers, as described in the Compensation Discussion and Analysis section, executive compensation tables and accompanying narrative disclosures contained in this proxy statement. Advisory approval of the compensation of our named executive officers will require "For" votes from a majority of the votes cast at the Annual Meeting by the holders of shares present in person or represented by proxy and entitled to vote on this proposal. Abstentions and broker non-votes will have no effect on the vote. This vote is non-binding and advisory in nature, but the compensation and management development committee of our Board, or the compensation committee, and our Board will take into account the outcome of the vote when considering future executive compensation arrangements, to the extent they can determine the cause or causes of any significant negative voting results.

Proposal 3: Advisory Vote on the Frequency of Future Advisory Votes on the Compensation Paid to Named Executive Officers . Our Board is seeking a non-binding advisory vote regarding how frequently to solicit stockholders for future advisory votes on the compensation of our named executive officers. The alternative of every "one year," "two years," or "three years" that receives the majority of the votes cast at the Annual Meeting by the holders of shares present in person or represented by proxy and entitled to vote on this proposal will be deemed to be the frequency preferred by the stockholders. Abstentions and broker non-votes will have no effect on the vote. This vote is non-binding and advisory in nature, but our compensation committee and our Board will take into account the outcome of the vote when considering the frequency of soliciting future advisory votes.

Proposal 4: Ratification of Appointment of Independent Registered Public Accounting Firm. The ratification of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017 will require "For" votes from a majority of the votes cast at the Annual Meeting by the holders of shares present in person or represented by proxy and entitled to vote on this proposal. Abstentions and broker non-votes will have no effect on the vote.

What are broker non-votes?

Broker non-votes occur when a beneficial owner of shares held in "street name" mails in their voter instruction form, but does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed "non-routine." Generally, if shares are held in street name, the beneficial owner of the shares is entitled to give voting instructions to the broker or nominee holding the shares. If the beneficial owner mails in their voter instruction form, but does not provide voting instructions, the broker or nominee may vote the shares with respect to matters that are considered to be "routine," but may not vote the shares with respect to "non-routine" matters. In the

event a beneficial owner of shares held in “street name” does not mail in the voter instruction form included with their Proxy Materials or otherwise vote by telephone or in person, then the broker or nominee holding such beneficial owner’s shares would not be entitled to vote on such beneficial owner’s behalf. Proposals 1, 2 and 3 are considered “non-routine” and Proposal 4 is considered “routine” under The NASDAQ Marketplace Rules, or the NASDAQ Listing Rules.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of common stock you own as of the close of business on March 13, 2017. The number of shares you own (and may vote) is listed on your proxy card or voter instruction form, as applicable.

What does it mean if I receive more than one proxy card or voter instruction form?

You may receive more than one proxy card or voter instruction form, as applicable, if your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return each proxy card or voter instruction form, as applicable, to ensure that all of your shares are voted.

How does the Board recommend that I vote my shares?

Unless you give other instructions on your proxy card or voter instruction form, as applicable, the persons named as proxies on your proxy card or voter instruction form, as applicable, will vote in accordance with the recommendations of our Board. Our Board’s recommendations are set forth together with the description of each proposal in this proxy statement. Our Board recommends a vote:

- “For” the election of the two nominees to our Board;
- “For” the approval, on an advisory (non-binding) basis, of the compensation paid to our named executive officers;
- For the frequency, on an advisory (non-binding) basis, of a future advisory vote on the compensation paid to our named executive officers of every “three years”; and
- “For” the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017.

With respect to any other matter that properly comes before the Annual Meeting, the proxies will vote as recommended by our Board or, if no recommendation is given, in their own discretion based on the company’s and our stockholders’ best interests. As of the date of this proxy statement, we know of no other matters that may be presented at the Annual Meeting other than those listed in the Notice of Annual Meeting of Stockholders.

How do I vote?

You may either vote “For” any or all of the nominees to our Board or you may “Withhold” your vote for any nominee you specify for Proposal 1. You may vote for every “one year,” “two years” or “three years” or may abstain from voting for Proposal 3. For all other matters to be voted on, you may vote “For” or “Against” or abstain from voting on the applicable proposal. The procedures for voting are as follows:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote (a) in person at the Annual Meeting or (b) by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy over the telephone, Internet or by mail as instructed below to ensure your vote is counted. You may still attend the Annual Meeting and vote in person even if you have already voted by proxy.

- To vote in person, come to the Annual Meeting and we will give you a ballot when you arrive.
- To vote over the telephone, dial toll-free 1-800-690-6903 using a touch-tone phone and follow the recorded instructions. You will be asked to provide your control number from the enclosed proxy card. Your vote must be received by 11:59 P.M. Eastern time on May 9, 2017 to be counted.
- To vote on the Internet, go to www.proxyvote.com to complete an electronic proxy card. You will be asked to provide your control number from the enclosed proxy card. Your vote must be received by 11:59 P.M. Eastern time on May 9, 2017 to be counted.
- To vote by mail, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the Annual Meeting, the designated proxy holders will vote your shares as you direct.

If you sign the enclosed proxy card but do not make specific choices, your proxy will vote your shares “For” all nominees in Proposal 1, “For” Proposals 2 and 4, and “three years” in Proposal 3, as set forth in the Notice of Annual Meeting of Stockholders.

If any other matter is presented, the proxies will vote as recommended by our Board or, if our Board does not make a recommendation, in their own discretion based on the company’s and our stockholders’ best interests. As of the date of this proxy statement, we know of no other matters that may be presented at the Annual Meeting other than those listed in the Notice of Annual Meeting of Stockholders.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner of shares held in “street name,” you may vote by completing and mailing the voter instruction form you receive with your Proxy Materials. Alternatively, you may vote by telephone or over the Internet, as provided on your voter instruction form or instructed by your broker, bank or other agent, if applicable. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank or other agent. Contact your broker, bank or other agent to request a proxy form.

May I change my vote after submitting my proxy card or voter instruction form?

Yes. You may revoke your proxy at any time before the final vote at the Annual Meeting. If you are the stockholder of record of your shares, you may revoke your proxy in any one of the following four ways:

- send a timely written revocation of the proxy to our Secretary;
- enter a new vote over the Internet or by telephone;
- attend and vote in person at the Annual Meeting; or
- submit another signed proxy card bearing a later date.

If your shares are not registered in your own name, you will need the appropriate documentation from the stockholder of record to vote personally at the Annual Meeting. Examples of such documentation include a broker’s statement, letter or other document that will confirm your ownership of the shares. If your shares are held by your broker, bank or another party as a nominee or agent, you should follow the instructions provided by such party.

Your personal attendance at the Annual Meeting does not revoke your proxy. Your last vote, whether prior to or at the Annual Meeting, is the vote that we will count.

Who will bear the expense of soliciting proxies?

We will bear the cost of solicitation of proxies, including preparation, assembly, printing and mailing of the Proxy Materials and any additional information furnished to stockholders. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of our common stock beneficially owned by others to forward to such beneficial owners. We may reimburse persons representing beneficial owners of our common stock for their costs of forwarding solicitation materials to such beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, telegram or personal solicitation by our directors, officers or other regular employees. No additional compensation will be paid to our directors, officers or other regular employees for such services.

How can I find the voting results from the Annual Meeting?

We will announce preliminary voting results at our Annual Meeting. We will publish final voting results in a Current Report on Form 8-K that we expect to file no later than May 16, 2017. If final voting results are not available by May 16, 2017, we will disclose the preliminary results in the Current Report on Form 8-K and, within four business days after the final voting results are known to us, file an amended Current Report on Form 8-K to disclose the final voting results.

When are stockholder proposals due for the 2018 Annual Meeting of Stockholders?

If you wish to submit proposals for inclusion in our proxy statement for the 2018 annual meeting of stockholders, or the 2018 Annual Meeting, we must receive them on or before December 1, 2017, pursuant to the proxy soliciting regulations of the SEC. Nothing in this paragraph shall require us to include in our proxy statement and proxy card or voter instruction form, as applicable, for the 2018 Annual Meeting any stockholder proposal that does not meet the requirements of the SEC in effect at the time. Any such proposal will be subject to Rule 14a-8 of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

If you wish to nominate a director or submit a proposal for presentation at the 2018 Annual Meeting without including such proposal in next year's proxy statement, you must be a stockholder of record and provide timely notice in writing to our Secretary at c/o Five Prime Therapeutics, Inc., Two Corporate Drive, South San Francisco, California 94080. To be timely, we must receive the notice not less than 90 days nor more than 120 days prior to the first anniversary of the Annual Meeting, that is, between January 10, 2018 and February 9, 2018; provided, however, that in the event that the date of the 2018 Annual Meeting is more than 30 days before or more than 60 days after such anniversary date, we must receive your notice (a) no earlier than the close of business on the 120th day prior to the currently proposed 2018 Annual Meeting and (b) no later than the close of business on the later of the 90th day prior to the 2018 Annual Meeting or the 10th day following the day on which we first make a public announcement of the date of the 2018 Annual Meeting. Your written notice must contain specific information required in Section 2.13 of our amended and restated bylaws. For additional information about our director nomination requirements, please see our amended and restated bylaws.

How can I get additional information about the company?

This proxy statement and our annual report to stockholders for the year ended December 31, 2016 are available free of charge at investor.fiveprime.com/sec.cfm. In addition, the SEC maintains a website at www.sec.gov that contains reports, proxy statements and other information regarding registrants, including our company, including other documents filed pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act.

PROPOSAL 1

ELECTION OF DIRECTORS

General

Our Board currently comprises ten directors. Upon the expiration of his three-year term as a director at the Annual Meeting, Robert L. Douglas will retire from our Board, and our Board will consist of nine directors, with one vacancy on our Board. Our amended and restated certificate of incorporation provides for a classified Board consisting of three classes of directors. Classes 1 and 3 each consist of three directors and Class 2 consists of four directors. Following Mr. Douglas's retirement from our Board, Class 1 will consist of two directors, with one vacancy. Vacancies on our Board may be filled only by persons elected by a majority of the remaining directors. A director elected by our Board to fill a vacancy in a class, including vacancies created by an increase in the number of directors, shall serve for the remainder of the full term of that class and until the director's successor is duly elected and qualified. Each class serves a staggered three-year term. At each annual meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following their election.

Our Board has nominated the two individuals listed in the table below for election as directors at the Annual Meeting. If you elect the nominees listed below, they will hold office until the annual meeting of stockholders in 2020 or until their successors have been duly elected and qualified. All nominees are currently serving on our Board and have consented to being named in this proxy statement and to serve if elected. Proxies may not be voted for nominees other than those named below. Our Board is in the process of evaluating whether it will fill the vacancy on our Board following the Annual Meeting or reduce the number of directors constituting our Board.

If any nominee is unable or does not qualify to serve, you or your proxy may vote for another nominee proposed by our Board. If for any reason these nominees prove unable or unwilling to stand for election or cease to qualify to serve as directors, our Board will nominate alternates or reduce the size of our Board to eliminate the vacancies. Our Board has no reason to believe that any of the nominees would prove unable to serve if elected. There are no arrangements or understandings between us and any director, or nominee for directorship, pursuant to which such person was selected as a director or nominee.

Nominees	Age ⁽¹⁾	Term Expires	Position(s) Held	Director Since
Kapil Dhingra, M.B.B.S.	57	2017	Director	2015
Mark D. McDade	61	2017	Lead Independent Director	2006

(1) Ages as of March 31, 2017.

Vote Required

Directors are elected by a plurality of the votes cast at the Annual Meeting by the holders of shares present in person or represented by proxy and entitled to vote on the election of directors. The two nominees receiving the most "For" votes will be elected as directors. You may not vote your shares cumulatively for the election of directors. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the two nominees named above. If either nominee becomes unavailable for election as a result of an unexpected occurrence, your shares will be voted for the election of a substitute nominee proposed by our Board.

Our Recommendation

OUR BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" EACH OF THE NOMINEES SET FORTH ABOVE FOR PROPOSAL 1.

Information About Our Board of Directors

Set forth below are the names, ages and length of service of the remaining members of our Board whose terms continue beyond the Annual Meeting.

Continuing Directors	Age (1)	Term Expires	Position(s) Held	Director Since
Fred E. Cohen, M.D., D.Phil	60	2018	Director	2002
Sheila Gujrathi, M.D.	46	2018	Director	2015
Peder K. Jensen, M.D.	62	2018	Director	2011
Aron M. Knickerbocker	47	2018	Chief Operating Officer and Director	2013
Franklin M. Berger, CFA	67	2019	Director	2010
William Ringo	71	2019	Director	2014
Lewis T. Williams, M.D., Ph.D.	67	2019	Founder, President, Chief Executive Officer and Chairman of the Board	2002

(1) Ages as of March 31, 2017.

The principal occupation, business experience and education of each nominee for election as director and each continuing director are set forth below. Unless otherwise indicated, principal occupations shown for each director have extended for five or more years.

Nominees for Election

Kapil Dhingra, M.B.B.S has served as a member of our Board since December 2015. Dr. Dhingra currently serves as the Managing Member of KAPital Consulting, LLC, a healthcare consulting firm that he founded in 2008. Dr. Dhingra has over 25 years of experience in oncology clinical research and drug development. From 1999 to 2008, Dr. Dhingra worked at Hoffmann-La Roche, where he served in roles of increasing responsibility, most recently as Vice President, Head of the Oncology Disease Biology Leadership Team and Head of Oncology Clinical Development. From 2000 to 2008, he held a Clinical Affiliate appointment at Memorial Sloan Kettering Cancer Center. From 1996 to 1999, Dr. Dhingra worked at Eli Lilly and Company where he served in roles of increasing responsibility, most recently as Senior Clinical Research Physician. Dr. Dhingra also served as a Clinical Associate Professor of Medicine at the Indiana University School of Medicine from 1997 to 1999. Prior to Eli Lilly, Dr. Dhingra was a member of the faculty of M.D. Anderson Cancer Center from 1989 to 1996. Dr. Dhingra currently serves on the board of directors of Advanced Accelerator Applications S.A., a public pharmaceutical company. Dr. Dhingra previously served as a member of the board of directors of Micromet, Inc., until its acquisition by Amgen Inc., or Amgen, and YM Biosciences Inc., until its acquisition by Gilead Sciences, Inc., each of which was a public company during Dr. Dhingra's service as a director. Dr. Dhingra received his M.B.B.S. from the All India Institute of Medical Sciences in New Delhi, India. He completed his residency in internal medicine at Lincoln Medical and Mental Health Center and New York Medical College and completed his fellowship in hematology and oncology at Emory University School of Medicine. We believe that Dr. Dhingra's extensive experience in executive positions with several pharmaceutical companies and in the clinical development of pharmaceuticals in several therapeutic areas, including in oncology, and his service as a director of other publicly traded life science companies give him the qualifications, skills and financial expertise to serve on our Board.

Mark D. McDade has served as a member of our Board since July 2006 and has served as our Lead Independent Director since March 2016. Mr. McDade currently serves as a Founding Partner at Qiming Venture Partners' U.S.-focused healthcare fund, which he helped establish in January 2017. From April 2008 to November 2016, Mr. McDade served as Executive Vice President and Chief Operating Officer, at UCB S.A., a global biopharmaceutical company focused on the discovery and development of innovative medicines. Mr. McDade previously served as Chief Executive Officer and a member of the board of directors of PDL BioPharma, Inc., a biotechnology company, and as Chief Executive Officer of Signature BioScience, Inc., a drug discovery company focused on developing treatments and leads for cancer and other diseases. Mr. McDade also served as an officer and a director of Corixa Corporation, or Corixa, a company he co-founded, which focused on developing innovative products that regulate immunity. At Corixa, he most recently served as its President and Chief Operating Officer. Mr. McDade is also a member of the board of directors of Aimmune Therapeutics, Inc. and Dermira, Inc., each of which is a public

biotechnology company. Mr. McDade received a B.A. from Dartmouth College and an M.B.A. from Harvard Business School. We believe that Mr. McDade's experience serving in several executive positions with public biopharmaceutical companies, his experience co-founding a life sciences company and his extensive business development and operations experience give him the qualifications, skills and financial expertise to serve on our Board.

Continuing Directors

Fred E. Cohen, M.D., D.Phil. has served as a member of our Board since May 2002. Dr. Cohen currently serves as a Partner and Managing Director of TPG Biotechnology Partners, L.P., which he joined in 2001, and serves as co-head of TPG's biotechnology group. Dr. Cohen is a member of the board of directors of BioCryst Pharmaceuticals, Inc., CareDx, Inc., Genomic Health, Inc., Roka BioScience, Inc., Tandem Diabetes Care, Inc., and Veracyte, Inc., each of which is a public company. Dr. Cohen previously served as a member of the board of directors of Quintiles Transnational Holdings, Inc., which was a public company during Dr. Cohen's service as a director. He is a member of the National Academy of Medicine and the American Academy of Arts and Sciences. Dr. Cohen received a B.S. in Molecular Biophysics and Biochemistry from Yale University, a D.Phil. in Molecular Biophysics from Oxford University, where he was a Rhodes Scholar, and an M.D. from Stanford University. We believe that Dr. Cohen's experience in the venture capital industry and serving as a director of other publicly traded and privately held companies gives him the qualifications, skills and financial expertise to serve on our Board.

Sheila Gujrathi, M.D. has served as a member of our Board since December 2015. Dr. Gujrathi served as the Chief Medical Officer of Receptos, Inc., from June 2011 to August 2015 when Receptos was acquired by Celgene Corporation. From 2008 to 2011, Dr. Gujrathi served as Vice President of the Global Clinical Research Group in Immunology at Bristol-Myers Squibb Company, or BMS. Prior to joining BMS, Dr. Gujrathi worked at Genentech, Inc. from 2002 to 2008, where she held roles of increasing responsibility in the Immunology, Tissue Growth and Repair clinical development group. From 1999 to 2002, Dr. Gujrathi served as a management consultant at McKinsey & Company in the healthcare practice, where she provided strategic advice on a variety of projects in the healthcare and pharmaceutical industry. Dr. Gujrathi received her B.S. in Biomedical Engineering and M.D. from Northwestern University in its accelerated honors program in Medical Education. She completed her internal medicine internship and residency at Brigham and Women's Hospital, Harvard Medical School. Dr. Gujrathi received additional training at the University of California, San Francisco and Stanford University in their Allergy and Immunology Fellowship Program. We believe that Dr. Gujrathi's extensive experience in executive positions with several pharmaceutical companies and in the clinical development of pharmaceuticals in several therapeutic areas give her the qualifications, skills and financial expertise to serve on our Board.

Peder K. Jensen, M.D. has served as a member of our Board since July 2011. Dr. Jensen is currently President of Bay Way Consultants, LLC, a consulting firm founded by Dr. Jensen in 2010 that advises pharmaceutical and biotechnology companies. Dr. Jensen has over 24 years of global drug development experience in both pharmaceutical and biotechnology companies and has been responsible for more than 40 new drug approvals in the U.S., Europe and Japan during his career. Dr. Jensen's experience includes over 20 years with Schering-Plough Corporation, a global pharmaceutical company, and then Merck & Co., Inc. after the merger of Schering-Plough with Merck in 2009. Dr. Jensen most recently served at Schering-Plough as Corporate Senior Vice President, and General Manager, R&D for Japan and Asia/Pacific from 2006 to 2010. Dr. Jensen has also served at British Biotech plc and Chiron Corporation in clinical development executive positions and earlier in his career at CIBA-GEIGY Limited. Dr. Jensen is also a member of the board of directors of Acorda Therapeutics, Inc., a public biotechnology company. Dr. Jensen previously served as a member of the board of directors of BioCryst Pharmaceuticals, Inc., which was a public pharmaceutical company during Dr. Jensen's service as a director. Dr. Jensen received an M.D. from the University of Copenhagen, where he also completed his post-graduate medical training in neurology and internal medicine. We believe that Dr. Jensen's extensive experience in executive positions with several pharmaceutical companies in the clinical development of pharmaceuticals in several therapeutic areas and his service as a director of other publicly traded and privately held life science companies give him the qualifications, skills and financial expertise to serve on our Board.

Aron M. Knickerbocker has served as our Chief Operating Officer since September 2016 and as a member of our Board since October 2013. Mr. Knickerbocker also served as Executive Vice President from August 2015 to September 2016, Chief Business Officer from April 2012 to September 2016, Senior Vice President from April

2012 to August 2015, and Vice President, Business Development from September 2009 to April 2012. From 2001 to September 2009, Mr. Knickerbocker served at Genentech, Inc. in positions of increasing responsibility most recently as Senior Director, Business Development from 2005 to September 2009. Prior to 2001, Mr. Knickerbocker served as Director of Commercial Development at ALZA Corporation, a pharmaceutical company acquired by Johnson & Johnson, as Senior Manager, Corporate Development at Amgen, a public biotechnology company, and as a scientist at BMS, a public biopharmaceutical company. Mr. Knickerbocker received an A.B. in biology from Washington University in St. Louis and an M.B.A. from the University of Michigan. We believe that Mr. Knickerbocker's extensive experience in drug commercialization and business development and in managerial positions with several pharmaceutical companies gives him the qualifications, skills and financial expertise to serve on our Board.

Franklin M. Berger, CFA has served as a member of our Board since September 2010. Mr. Berger is a consultant to biotechnology industry participants, including major biopharmaceutical firms, mid-capitalization biotechnology companies, specialist asset managers and venture capital companies, providing business development, strategic, financing, partnering, and royalty acquisition advice. Mr. Berger is also a biotechnology industry analyst with over 25 years of experience in capital markets and financial analysis. Mr. Berger worked at Sectoral Asset Management as a founder of the small-cap focused NEMO Fund from 2007 through June 2008. From May 1998 to March 2003, he served at J.P. Morgan Securities, most recently as Managing Director, Equity Research and Senior Biotechnology Analyst. Previously, Mr. Berger served in similar capacities at Salomon Smith Barney and Josephthal & Co. Mr. Berger also serves on the board of directors of BELLUS Health, Inc., Immune Design Corp., ESSA Pharma Inc., and Proteostasis Therapeutics, Inc., each of which is a public biotechnology company. Mr. Berger previously served as a member of the board of directors of BioTime, Inc. and Seattle Genetics, Inc., each of which was a public company during Mr. Berger's service as a director. Mr. Berger received a B.A. in International Relations and an M.A. in International Economics, both from Johns Hopkins University, and an M.B.A. from the Harvard Business School. We believe that Mr. Berger's financial background and experience as an equity analyst in the biotechnology industry combined with his experience serving on the boards of directors of multiple public companies is important to our strategic planning and financing activities and gives him the qualifications, skills and financial expertise to serve on our Board.

William Ringo has served as a member of our Board since October 2014. From June 2010 to December 2016, Mr. Ringo served as a senior advisor to Barclays Healthcare Group. From April 2008 until his retirement in April 2010, Mr. Ringo was Senior Vice President of Business Development, Strategy and Innovation at Pfizer Inc., a public pharmaceutical company, and was responsible for guiding Pfizer's overall strategic planning and business development activities. Prior to joining Pfizer, Mr. Ringo served as an executive in residence at Warburg Pincus and Sofinnova Ventures. From August 2004 to April 2006, Mr. Ringo served as President and Chief Executive Officer of Abgenix, Inc., or Abgenix, a biotechnology company acquired by Amgen. Prior to Abgenix, Mr. Ringo served for 28 years at Eli Lilly and Company, or Eli Lilly, in numerous executive roles, including Product Group President for Oncology and Critical Care, President of Internal Medicine Products, President of the Infectious Diseases Business Unit and Vice President of Sales and Marketing for U.S. Pharmaceuticals. Following Mr. Ringo's retirement from Eli Lilly in 2001, from March 2001 to December 2007, Mr. Ringo served on various boards of directors, including InterMune, Inc. where he served as the non-executive chairman of the board of directors after serving as interim Chief Executive Officer from June 2003 to September 2003. Mr. Ringo currently serves on the board of directors of Assembly Biosciences, Inc., Dermira, Inc., Immune Design Corp., and Sangamo BioSciences, Inc., each of which is a public biotechnology company. Mr. Ringo was previously a member of the board of directors of Onyx Pharmaceuticals, Inc., which was a public company during Mr. Ringo's service as a director. Mr. Ringo received a B.S. in business administration and an M.B.A. from the University of Dayton. We believe that Mr. Ringo's extensive experience serving as a director of other publicly traded and privately held life science companies and serving in executive positions with several biotechnology and pharmaceutical companies and in the venture capital industry gives him the qualifications, skills and financial expertise to serve on our Board.

Lewis T. Williams, M.D., Ph.D. founded the company in December 2001 and has served as a member of our Board since January 2002, as our President and Chief Executive Officer since August 2011, as our Executive Chairman from July 2003 to January 2012 and as Chairman of the Board since March 2016. Previously, Dr. Williams spent seven years at Chiron Corporation, or Chiron, a biopharmaceutical company, now Novartis Vaccines and Diagnostics, Inc., most recently as its Chief Scientific Officer. He also served on Chiron's board of directors from 1999 to 2001. Prior to joining Chiron, Dr. Williams was a professor of medicine at the University of California, San

Francisco and served as Director of the University's Cardiovascular Research Institution and Daiichi Research Center. Dr. Williams also has served on the faculties of Harvard Medical School and Massachusetts General Hospital and co-founded COR Therapeutics, Inc., a biotechnology company focused on cardiovascular disease. He is a member of the National Academy of Sciences and a fellow of the American Academy of Arts and Sciences. Dr. Williams was previously a member of the board of directors of COR Therapeutics, Inc. and Beckman Coulter, Inc., each of which was a public company during his service as a director. Dr. Williams received a B.S. from Rice University and an M.D. and a Ph.D. from Duke University. We believe that Dr. Williams' extensive experience in drug discovery and development and in executive positions with several pharmaceutical companies, his experience founding the company and his service as a director of other publicly traded healthcare companies give him the qualifications, skills and financial expertise to serve on our Board.

Information About Our Executive Officers Who Are Not Directors

The following table sets forth certain information about our executive officers who are not also directors.

Executive Officers	Age (1)	Position(s) Held
Marc L. Belsky	61	Senior Vice President and Chief Financial Officer
Francis W. Sarena	46	Chief Strategy Officer and Secretary
Kevin Baker, Ph.D.	56	Senior Vice President, Development Sciences
Helen Collins, M.D. (2)	54	Senior Vice President and Chief Medical Officer
Luis Borges, Ph.D.	55	Senior Vice President, Research
Robert Sikorski, M.D., Ph.D. (3)	54	Former Senior Vice President and Chief Medical Officer

(1) Ages as of March 31, 2017.

(2) Dr. Collins became our Senior Vice President and Chief Medical Officer following Dr. Sikorski's transition from the position of Chief Medical Officer to Senior Vice President, Special Projects on March 18, 2017.

(3) Dr. Sikorski transitioned from his position as Senior Vice President and Chief Medical Officer to Senior Vice President, Special Projects on March 18, 2017.

The principal occupation, business experience and education of each executive officer are set forth below.

Marc L. Belsky has served as our Senior Vice President and Chief Financial Officer since December 2013. Mr. Belsky also served as our Vice President and Chief Financial Officer from October 2013 to December 2013 and as our Vice President, Finance from October 2009 to October 2013. From December 2006 to October 2009, Mr. Belsky served as Vice President, Finance, and Chief Accounting Officer of Cell Genesys, Inc., a biotechnology company acquired by BioSante Pharmaceuticals, Inc. Prior to 2006, Mr. Belsky served as Vice President, Global Visa Commerce at Visa Inc., Chief Financial Officer at Active Aero Group, Inc. and Chief Financial Officer at DataWave Systems Inc. Prior to these positions, he served for 15 years at Michigan National Corporation, a holding company for Michigan National Bank, which was acquired by BANA Holding Corporation, in positions of increasing responsibility, most recently as Senior Vice President, U.S. Payment Products and Services. Mr. Belsky started his career as an auditor with Coopers & Lybrand. Mr. Belsky received a B.S. in Accounting from Wayne State University and an M.B.A. from the University of Michigan. He is a certified public accountant, a chartered global management accountant and a certified treasury professional.

Francis W. Sarena has served as our Chief Strategy Officer since September 2016 and as Secretary since December 2010. He also served as our Executive Vice President from August 2015 to September 2016 and as General Counsel from December 2010 to September 2016. Mr. Sarena also served as Senior Vice President from January 2013 to August 2015 and as Vice President from December 2010 to January 2013. From December 2008 to July 2010, Mr. Sarena served as Vice President, General Counsel and Secretary of Facet Biotech Corporation, a public biotechnology company that was spun off from PDL BioPharma, Inc. in December 2008 and that was later acquired by Abbott Laboratories in April 2010. From April 2006 to December 2008, Mr. Sarena served at PDL BioPharma, Inc. in positions of increasing responsibility, most recently as Vice President, General Counsel and Secretary from June 2008 to December 2008. Prior to April 2006, Mr. Sarena served as an associate at Bingham McCutchen LLP where he represented public and private life science and high tech clients primarily in merger and acquisition transactions, corporate and securities law matters and equity financing transactions. Mr. Sarena received a B.S. in Finance from San Francisco State University and a J.D. from the University of California, Berkeley.

Kevin Baker, Ph.D. has served as our Senior Vice President, Development Sciences since February 2016 and served in positions of increasing responsibility, most recently as our Vice President, Preclinical Development, from January 2006 to July 2015. From July 2015 to January 2016, Dr. Baker served as Senior Vice President, Preclinical Development at Audentes Therapeutics, Inc., a privately held biotechnology company. From 2000 to 2006, Dr. Baker served at Human Genome Sciences, a biopharmaceutical company that was acquired by GlaxoSmithKline, in positions of increasing responsibility, most recently as Associate Director in the Department of Antibody Discovery and Development. From 1992 to 1999, Dr. Baker served as a Scientist at Genentech, Inc. From 1987 to 1992, Dr. Baker served as a Postdoctoral Fellow at the University of Basel in Switzerland. Dr. Baker received a B.Sc. from the University of Salford in England and a Ph.D. from the University of Dundee in Scotland.

Luis Borges, Ph.D. has served as our Senior Vice President, Research since September 2016. He also served as our Vice President, Immuno-Oncology Research from July 2015 to September 2016, our Executive Director, Immuno-Oncology Validation from February 2015 to July 2015, and our Senior Director, Translational Immunology from May 2014 to February 2015. From 2002 to May 2014, Dr. Borges served in positions of increasing responsibility at Amgen, most recently as Scientific Director, Therapeutic Innovation Unit. From 1996 to 2002, Dr. Borges served at Immunex Corporation, or Immunex, initially as a Postdoctoral Scientist and later as a Staff Scientist. Immunex was acquired by Amgen in 2002. Dr. Borges received a B.S. from the University of Lisbon and a Ph.D. in Pathology from the University of Washington.

Helen Collins, M.D. has served as our Senior Vice President and Chief Medical Officer since March 2017. She also served as our Vice President of Clinical Development from June 2016 to March 2017. From June 2013 to June 2016, Dr. Collins held positions of increasing responsibility at Gilead Sciences, Inc., most recently as Program and Clinical Lead for Gilead's GS-5829 (BET inhibitor) and GS-4059 (BTK inhibitor) programs. From November 2009 to May 2013, Dr. Collins held positions of increasing responsibility at Amgen, most recently as Global Lead, Oncology Biosimilars. Prior to joining Amgen, Dr. Collins practiced as a medical oncologist and hematologist for 12 years at Redwood Regional Medical Group, or RRMG, and served as President of RRMG from 2006 to 2009. In 2005, Dr. Collins co-founded the non-profit North Bay Cancer Alliance (NBCA), whose mission is to increase local access to education and cancer care in counties in the northern San Francisco Bay Area. Dr. Collins received a A.B. in Chemistry from Bryn Mawr College and an M.D. from The Johns Hopkins University School of Medicine. Dr. Collins completed her residency in internal medicine at The Johns Hopkins Hospital and completed her fellowship at Stanford University School of Medicine, where she concentrated in gastrointestinal cancer. Dr. Collins is board certified in both oncology and internal medicine.

Former Executive Officer

Robert Sikorski, M.D., Ph.D. has served as our Senior Vice President, Special Projects since March 2017 and Senior Vice President since January 2016. Dr. Sikorski served as our Chief Medical Officer from June 2016 to March 2017 and our Vice President of Global Clinical Development from September 2014 to January 2016. From December 2010 to September 2014, Dr. Sikorski served as Senior Director, Global Oncology Research and Development at MedImmune, Inc., a wholly owned subsidiary of AstraZeneca plc, a public biotechnology company. From March 2006 to December 2010, Dr. Sikorski served as Director, Global Oncology Research and Development at Amgen. From October 2004 to March 2006, Dr. Sikorski served as a medical affairs consultant to Genzyme Corporation. From 1998 to 2003, Dr. Sikorski served as Chief Technology Officer at Mednav, Inc., a biomedical data acquisition and analytics firm. From 1994 to 1997, Dr. Sikorski served as a Howard Hughes Research Fellow and Visiting Scientist at the National Cancer Institute and the National Human Genome Research Institute. Dr. Sikorski received an M.D. and Ph.D. from The Johns Hopkins University School of Medicine. He completed his residency at Massachusetts General Hospital and completed an oncology fellowship at The Johns Hopkins Oncology Center. Dr. Sikorski is board certified in both oncology and internal medicine.

Corporate Governance

Board of Directors

Our Board oversees our business and monitors the performance of our management. In accordance with our corporate governance procedures, our Board does not involve itself in our day-to-day operations. Our executive officers and management oversee our day-to-day operations. Our directors fulfill their duties and responsibilities by

attending meetings of our Board, which are held from time to time. The independent directors meet in executive sessions without management or any non-independent directors at least quarterly. The purpose of these executive sessions is to promote open and candid discussion among the non-employee directors.

Our Board held five meetings during the year ended December 31, 2016. Each incumbent director attended at least 75% of the total of (i) the meetings of our Board held during the period for which he or she has been a director and (ii) the meetings of the committee(s) on which that particular director served during such period.

It is our policy to encourage our directors to attend the Annual Meeting. It is currently anticipated that all continuing members of our Board will attend the Annual Meeting. All of our directors except for Robert L. Douglas attended our 2016 annual meeting of stockholders.

Board of Directors Independence

Rule 5605 of the NASDAQ Listing Rules requires that independent directors comprise a majority of a listed company's board of directors. In addition, the NASDAQ Listing Rules require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and corporate governance committees are independent and that audit committee members also satisfy independence criteria set forth in Rule 10A-3 under the Exchange Act. Under NASDAQ Listing Rule 5605(a)(2), a director will only qualify as an "independent director" if, in the opinion of a listed company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In order to be considered independent for purposes of Rule 10A-3 under the Exchange Act, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of our audit committee, the board of directors, or any other board committee: (i) accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the company or any of its subsidiaries; or (ii) be an affiliated person of the company or any of its subsidiaries. In addition to satisfying general independence requirements under the NASDAQ Listing Rules, members of a company's compensation committee must also satisfy additional independence requirements set forth in Rule 10C-1 under the Exchange Act and NASDAQ Listing Rule 5605(d)(2). Pursuant to Rule 10C-1 under the Exchange Act and NASDAQ Listing Rule 5605(d)(2), in affirmatively determining the independence of a member of a compensation committee of a listed company, the board of directors must consider all factors specifically relevant to determining whether that member has a relationship with the company that is material to that member's ability to be independent from management in connection with the duties of a compensation committee member, including: (a) the source of compensation of such member, including any consulting, advisory or other compensatory fee paid by the company to such member; and (b) whether such member is affiliated with the company, a subsidiary of the company or an affiliate of a subsidiary of the company.

Our Board undertook a review of the composition of our Board and its committees and the independence of each director. In reviewing the independence of our directors, our Board considered the relationships that each non-employee director has with our company and all other facts and circumstances our Board deemed relevant in determining independence, including the beneficial ownership of our capital stock by each non-employee director. Based upon information requested from and provided by each director concerning his or her background, employment and affiliations, including family and other relationships, including those relationships described under "Transactions with Related Persons," our Board affirmatively determined that all of its directors satisfy general independence requirements under the NASDAQ Listing Rules, other than Dr. Williams and Mr. Knickerbocker. In making this determination, our Board found that none of the directors, other than Dr. Williams and Mr. Knickerbocker, had a material or other disqualifying relationship with us that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and that each director, other than Dr. Williams and Mr. Knickerbocker, is "independent" as that term is defined under Rule 5605(a)(2) of the NASDAQ Listing Rules. Our Board determined that Dr. Williams, our President and Chief Executive Officer, and Mr. Knickerbocker, our Chief Operating Officer, are not independent directors by virtue of their current employment with us. Our Board also determined that each member of our audit, compensation and nominating and corporate governance committees satisfies the independence standards for such committees established by the SEC and the NASDAQ Listing Rules, as applicable.

Committees of the Board of Directors

Our Board has four standing committees: an audit committee, a compensation committee, a nominating and corporate governance committee and a research and development committee, which our Board created in March 2016. The following table provides membership and meeting information for the year ended December 31, 2016 for each committee.

Name	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Research and Development Committee††
Brian Atwood	X†	X†		
Franklin M. Berger, CFA**	X*		X	
Fred E. Cohen, M.D., D.Phil				
Kapil Dhingra, M.B.B.S.				X*
Robert L. Douglas	X			
Sheila Gujrathi, M.D.		X*+		X
Peder K. Jensen, M.D.		X	X*	X
Aron M. Knickerbocker				
Mark D. McDade		X*++		
William Ringo	X‡		X	
Lewis T. Williams, M.D., Ph.D.				
Total committee meetings in 2016	5	4	4	4

* Chair

** Financial Expert

† Mr. Atwood served as a member of our audit committee and our compensation committee until he resigned from our Board in March 2016.

†† Our research and development committee was formed in March 2016. Drs. Dhingra, Gujrathi and Jensen commenced their respective service as members of our research and development committee upon its formation in March 2016.

+ Dr. Gujrathi commenced service as the Chair of our compensation committee in March 2016.

++ Mr. McDade served as the Chair of our compensation committee until March 2016, when Dr. Gujrathi was appointed as the Chair. Following March 2016, Mr. McDade continued to serve as a member of our compensation committee.

‡ Mr. Ringo commenced his service as a member of our audit committee in March 2016.

Below is a description of each committee of our Board.

Audit Committee

Our audit committee is responsible for assisting our Board in its oversight of the integrity of our financial statements, the qualifications and independence of our independent auditors, and our internal financial and accounting controls. Our audit committee has direct responsibility for the appointment, compensation, retention (including termination) and oversight of our independent auditors, and our independent auditors report directly to our audit committee. Our audit committee also prepares the audit committee report that the SEC requires to be included in our annual proxy statement. Our audit committee also has authority to engage legal counsel and other consultants, accountants, experts and advisors, as it deems appropriate to carry out its responsibilities.

Messrs. Atwood, Berger, Douglas and Ringo served as members of our audit committee in 2016, with Mr. Berger serving as the chairman. Mr. Ringo was appointed to our audit committee on March 15, 2016 after Mr. Atwood's resignation from our Board and its committees. All members of our audit committee qualify as independent directors under the corporate governance standards of the NASDAQ Listing Rules and the independence requirements of Rule 10A-3 of the Exchange Act. In addition, our Board has determined that each member of our audit committee is financially literate and that Mr. Berger qualifies as an "audit committee financial expert," as such term is currently defined in Item 407(d)(5) of Regulation S-K. In making this determination, our Board considered the formal education and nature and scope of Mr. Berger's previous experience, coupled with his past and present service on various audit committees. Our audit committee operates under a written charter that satisfies the applicable standards of the SEC and the NASDAQ Listing Rules, which is available in the "Corporate Governance"

section of our investor relations website at investor.fiveprime.com/governance.cfm. The inclusion of our website address here and elsewhere in this proxy statement does not include or incorporate by reference the information on our website into this proxy statement.

Audit Committee Report ⁽¹⁾

The audit committee has reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2016 with management and our independent registered public accounting firm, Ernst & Young LLP. The audit committee has discussed with Ernst & Young LLP the matters required to be discussed by Public Company Accounting Oversight Board, or PCAOB, Auditing Standard No. 16, Communications with Audit Committees. The audit committee has also received the written disclosures and the letter from Ernst & Young LLP required by applicable requirements of the PCAOB regarding Ernst & Young LLP's communications with the audit committee concerning independence and has discussed with Ernst & Young LLP the firm's independence. Based on the foregoing, the audit committee recommended to the Board that our audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 for filing with the SEC.

Five Prime Therapeutics, Inc. Audit Committee

Franklin M. Berger, CFA, Chair

Robert L. Douglas

William Ringo

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- (1) The material in this report is not "soliciting material," is not deemed "filed" with the SEC and is not incorporated by reference in any filing we make under either the Securities Act of 1933, as amended, or the Securities Act, or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such acts.

Compensation Committee

Our compensation committee approves our compensation objectives and approves the compensation of our Chief Executive Officer and other executives. Our compensation committee reviews all components of the compensation of our executive officers, including base salary, bonus, equity compensation, benefits and other perquisites. In determining or making recommendations regarding the compensation and other terms of employment of our executive officers, other than our Chief Executive Officer, our compensation committee may, in its sole discretion, consider the recommendations of the Chief Executive Officer. In fulfilling its responsibilities, our compensation committee may delegate any or all of its responsibilities to a subcommittee of our compensation committee, but only to the extent consistent with our amended and restated certificate of incorporation, our amended and restated bylaws, Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended, or the Code, the NASDAQ Listing Rules, and other applicable law.

Messrs. Atwood and McDade and Drs. Gujrathi and Jensen served as members of our compensation committee in 2016. Dr. Gujrathi was appointed as a member of our compensation committee on March 15, 2016 after Mr. Atwood's resignation from our Board and its committees. Mr. McDade served as chairman of our compensation committee until March 2016, after which Dr. Gujrathi served as the chairman. Each member of our compensation committee is a non-employee director within the meaning of Rule 16b-3 of the rules promulgated under the Exchange Act, each is an outside director as defined by Section 162(m) of the Code, and each is an independent director under the corporate governance standards of the NASDAQ Listing Rules and the independence requirements of Rule 10C-1 of the Exchange Act. Our compensation committee operates under a written charter that satisfies the applicable standards of the SEC and the NASDAQ Listing Rules, which is available in the "Corporate Governance" section of our investor relations website at investor.fiveprime.com/governance.cfm.

Pursuant to its charter, our compensation committee has the sole authority to retain compensation consultants to assist in its evaluation of executive and director compensation. Our compensation committee utilized information, including peer data, regarding the compensation of our directors and senior executive officers provided by Radford, an AON Hewitt company, in evaluating, recommending and determining compensation levels. Our compensation committee also has authority to engage legal counsel and other consultants, accountants, experts and advisors, as it deems appropriate to carry out its responsibilities.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee during the fiscal year ended December 31, 2016 has ever been an officer or employee of the company. None of our executive officers serves, or has served during the last three years, as a member of the board of directors, compensation committee or other board committee performing equivalent functions of any entity that has one or more of its executive officers serving as one of our directors or as a member of our compensation committee. Further, no member of our compensation committee during the fiscal year ended December 31, 2016 had any relationship requiring disclosure by the company under Item 404 of Regulation S-K.

Compensation Committee Report

The Compensation and Management Development Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with our management. Based on this review and discussion, the Compensation and Management Development Committee recommended to our Board that the Compensation Discussion and Analysis be included in this proxy statement and incorporated into our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

This report of the Compensation and Management Development Committee is not "soliciting material," shall not be deemed "filed" with the SEC and shall not be incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such acts.

The foregoing report has been furnished by the Compensation and Management Development Committee.

Respectfully submitted,
The Compensation and Management Development Committee of the Board of Directors

Sheila Gujrathi, M.D., Chair
Peder Jensen, M.D.
Mark D. McDade

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee is responsible for making recommendations to our Board regarding candidates for directorships and the structure and composition of our Board and its committees. In addition, our nominating and corporate governance committee is responsible for considering nominations by stockholders of candidates for election to our Board, developing and recommending to our Board corporate governance guidelines applicable to the company and advising our Board on corporate governance matters. Our nominating and corporate governance committee also has authority to engage legal counsel and other consultants, accountants, experts and advisors, as it deems appropriate to carry out its responsibilities.

Dr. Jensen and Messrs. Berger and Ringo served as members of our nominating and corporate governance committee in 2016, with Dr. Jensen serving as the chairman. Each member of our nominating and corporate governance committee is an independent director under the corporate governance standards of the NASDAQ Listing Rules. Our nominating and corporate governance committee operates under a written charter that satisfies the applicable standards of the NASDAQ Listing Rules, which is available in the “Corporate Governance” section of our investor relations website at investor.fiveprime.com/governance.cfm.

It is the policy of our nominating and corporate governance committee to select individuals as director nominees so that our Board as a whole collectively possesses a broad range of skills, expertise, industry and other knowledge, and business and other experience useful to the effective oversight of our business. When considering candidates for our Board, our nominating and corporate governance committee may consider the following criteria, among others that our nominating and corporate governance committee shall deem appropriate: (i) diversity of personal background, perspective and experience; (ii) personal and professional integrity, ethics and values; (iii) experience in corporate management; (iv) experience relevant to our industry and with relevant social policy concerns; (v) experience as a board member or executive officer of another publicly held company; (vi) relevant academic expertise; (vii) practical and mature business judgment, including ability to make independent analytical inquiries; and (viii) promotion of a diversity of business or career experience relevant to our success. Stockholder nominees are analyzed by our nominating and corporate governance committee in the same manner as nominees identified by our nominating and corporate governance committee. If our nominating and corporate governance committee believes a candidate would be a valuable addition to our Board, it will recommend that candidate’s election to the full Board. Our nominating and corporate governance committee also has the authority to retain search firms to assist in the identification of director candidates.

In accordance with our amended and restated bylaws and the charter of our nominating and corporate governance committee, nominations and recommendations of individuals for election to our Board at an annual meeting of stockholders may be made by any stockholder of record entitled to vote for the election of directors at such meeting who provides timely notice in writing to our Secretary at our principal executive offices. To be timely, we must receive the notice not less than 90 days nor more than 120 days prior to the first anniversary of the date of the prior year’s annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, we must receive the stockholder’s notice (i) no earlier than the close of business on the 120th day prior to the proposed date of the annual meeting and (ii) no later than the close of business on the later of the 90th day prior to the annual meeting or the 10th day following the day on which we first make a public announcement of the date of the annual meeting. The stockholder’s written notice must contain specific information required in Section 2.13 of our amended and restated bylaws. For additional information about our director nomination requirements, please see our amended and restated bylaws.

Research and Development Committee

Our Board formed our research and development committee in March 2016 and appointed Drs. Dhingra, Gujrathi and Jensen to serve as its members, with Dr. Dhingra serving as the chairman.

Our research and development committee is responsible for reviewing the strategy, substance and execution of our research and development programs, the quality and performance of our scientific management and the suitability and effectiveness of our research and development process. In addition, our research and development committee is responsible for identifying and keeping our Board apprised of significant emerging science, technology, research and development issues and trends that relate to our business.

Board Leadership Structure and Role in Risk Oversight

Board Leadership Structure

In early 2016, our Board reviewed its leadership structure, taking into account various factors including:

- the respective responsibilities for the positions of Chairman, Lead Independent Director and Chief Executive Officer;
- the policies and practices in place to provide independent Board oversight of management;
- the potential impact of particular leadership structures on the company's performance;
- the company's current circumstances;
- practices at other companies; and
- trends in corporate governance, including academic studies on board leadership structures and the impact of leadership structures on stockholder value;

and determined that, at the present time, the combined roles of Chief Executive Officer and Chairman of the Board, along with a strong Lead Independent Director, provides the appropriate leadership and oversight of the company and facilitates effective functioning of both our Board and management. Our Board may separate the positions in the future if it believes that would be in the best interest of the company and its stockholders.

Lewis T. Williams, our President and Chief Executive Officer, serves as Chairman of the Board and presides over meetings of our Board and holds such other powers and carries out such other duties as are customarily carried out by the chairman of the board of directors of a company. Dr. Williams brings valuable insight to our Board due to the perspective and experience he brings as our Chief Executive Officer and a founder of the company.

Mark D. McDade currently serves as our Lead Independent Director and presides over portions of regularly scheduled meetings at which only our independent directors are present, serves as a liaison between the Chairman of the Board and the independent directors, and performs such additional duties as our Board may otherwise determine and delegate.

Our independent directors meet alone in executive session at no less than four regular meetings of our Board each year. The Lead Independent Director may call additional executive sessions of the independent directors at any time, and the Lead Independent Director must call an executive session at the request of a majority of the independent directors. The purpose of these executive sessions is to promote open and candid discussion among non-employee directors.

Role of the Board in Risk Oversight

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks. Our Board believes that risk management is an important part of establishing, updating and executing on our business strategy. Our Board, as a whole and at the committee level, has oversight responsibility relating to risks that could affect our corporate strategy, business objectives, compliance, operations, financial condition and performance. Our Board focuses its oversight on the most significant risks facing the company and on

its processes to identify, prioritize, assess, manage and mitigate those risks. Our Board and its committees receive regular reports from members of our senior management on areas of material risk to us, including strategic, operational, financial, legal and regulatory risks. While our Board has an oversight role, management is principally tasked with direct responsibility for management and assessment of risks and the implementation of processes and controls to mitigate their effects on the company.

Our audit committee, as part of its responsibilities, oversees the management of financial risks, including accounting matters, liquidity and credit risks, corporate tax positions, insurance coverage, and cash investment strategy and results. Our audit committee is also responsible for overseeing the management of risks relating to the performance of our internal audit function, if required, and our independent registered public accounting firm, as well as our systems of internal controls and disclosure controls and procedures. Our compensation committee is responsible for overseeing the management of risks relating to our executive compensation and overall compensation and benefit strategies, plans, arrangements, practices and policies. Our nominating and corporate governance committee oversees the management of risks associated with our overall compliance and corporate governance practices and the independence and composition of our Board. During 2016, our Board created our research and development committee to, among its other responsibilities, oversee the management of risks associated with our research and development programs, processes and strategies. Each of our Board's committees provide regular reports, on at least a quarterly basis, to the full Board. Additionally, our Board may also create additional committees to assist in risk oversight.

Code of Business Conduct and Ethics

We have adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. The code of business conduct and ethics is available on our website at investor.fiveprime.com/governance.cfm.

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or a waiver from, any provision of our code of business conduct and ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, by posting such information on our website at the Internet address set forth above. We did not amend or grant any waivers of a provision of our code of business conduct and ethics during 2016.

Hedging and Pledging Policies

Our trading compliance policy expressly prohibits all of our directors, officers and employees from engaging in any speculative transaction designed to decrease the risks associated with holding our securities, including hedging or similar transactions. We also prohibit any pledging of our securities as collateral for loans and the holding of our securities in margin accounts. An exception from such policies must be approved by our Compliance Officer in consultation with our Board or an independent committee of our Board.

Stockholder Communications with Our Board of Directors

Stockholders wishing to communicate directly with our Board may send correspondence to our Secretary, c/o Five Prime Therapeutics, Inc., Two Corporate Drive, South San Francisco, California 94080. All comments will be forwarded directly to our Board.

PROPOSAL 2

ADVISORY VOTE ON EXECUTIVE COMPENSATION

General

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, and Section 14A of the Exchange Act, we are asking stockholders to cast an advisory vote to approve the compensation of our named executive officers, as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K.

While this vote is advisory and not binding on us, it will provide information to our Board and our compensation committee regarding investor sentiment about our executive compensation philosophy, policies and practices. Our Board and our compensation committee value the opinions of our stockholders and, to the extent there is any significant vote against the compensation of our named executive officers as disclosed in this proxy statement, we will consider our stockholders' concerns and our compensation committee will evaluate whether any actions are necessary to address those concerns.

In considering their vote, stockholders may wish to review with care the information on our compensation policies and decisions regarding our named executive officers contained in the "Compensation Discussion and Analysis" section of this proxy statement. As discussed there, our Board believes that our long-term success depends in large measure on the talent of our employees. Our compensation system plays a significant role in our ability to attract, retain and motivate the highest quality workforce. Our Board believes that its current compensation program achieves the desired goals of aligning our executive compensation structure with our stockholders' interests and current market practices.

Accordingly, our Board is asking our stockholders to indicate their support for the compensation of our named executive officers as described in this proxy statement by casting a non-binding advisory vote "For" the following resolution:

"RESOLVED, that the compensation paid to the company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, executive compensation tables and accompanying narrative discussion, is hereby APPROVED."

This vote is not intended to address any specific component of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement.

Vote Required

The advisory vote to approve the compensation of our named executive officers requires the affirmative vote of the majority of the votes cast at the Annual Meeting by the holders of shares present in person or represented by proxy and entitled to vote on the proposal. Abstentions and broker non-votes will have no effect on the outcome of the vote.

Our Recommendation

OUR BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.

PROPOSAL 3

ADVISORY VOTE TO RECOMMEND THE FREQUENCY OF THE STOCKHOLDER VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

General

Pursuant to the Dodd-Frank Act and Section 14A of the Exchange Act, we are also asking stockholders to cast an advisory vote on the frequency of future advisory votes on the compensation of our named executive officers as disclosed in our proxy statement. Stockholders may specify whether they prefer such votes to occur every “one year,” “two years,” or “three years” or they may abstain.

Our Board recommends that future advisory votes on executive compensation occur every three years. Because we have designed our executive compensation programs to reward long-term performance and operate over a period of years, we believe stockholders should evaluate how our programs perform over the long term. Also, an advisory vote every three years provides an appropriate period for our Board and our compensation committee to evaluate the results of the most recent advisory vote on executive compensation and to develop and implement any appropriate adjustments to our executive compensation programs. Conducting an advisory vote every three years would provide stockholders a meaningful opportunity to provide regular feedback and sufficient time for us to respond to it.

Although the vote on this proposal is not binding, our Board will consider the voting results in determining the frequency of future advisory votes.

Vote Required

The alternative receiving the votes of a majority of the votes cast at the Annual Meeting by the holders of shares present in person or represented by proxy and entitled to vote on this proposal will be deemed to be frequency preferred by the stockholders. Abstentions and broker non-votes will have no effect on the outcome of the vote.

Our Recommendation

OUR BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE FREQUENCY, ON AN ADVISORY BASIS, OF A FUTURE VOTE ON THE COMPENSATION PAID TO OUR NAMED EXECUTIVE OFFICERS OF EVERY “THREE YEARS.”

PROPOSAL 4

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

General

Our audit committee has appointed Ernst & Young LLP to act as our independent registered public accounting firm and to audit our financial statements for the fiscal year ending December 31, 2017. Neither our amended and restated bylaws nor other governing documents or law require stockholder ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm. However, our audit committee is presenting this proposal to the stockholders for ratification as a matter of good corporate governance. In the event that this appointment is not ratified by our stockholders, our audit committee will consider that fact when it selects our independent auditors for the following fiscal year.

We expect representatives of Ernst & Young LLP will attend the Annual Meeting. We will provide these representatives an opportunity to make a statement at the Annual Meeting if they desire to do so and they will be available to respond to appropriate questions from stockholders.

Vote Required

The proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2017 requires the affirmative vote of the majority of the votes cast at the Annual Meeting by the holders of the shares represented in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal. Abstentions and broker non-votes will have no effect on the vote.

Our Recommendation

OUR BOARD UNANIMOUSLY RECOMMENDS A VOTE “FOR” THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2017.

Pre-Approval Policies and Procedures

Our audit committee approves the fees and other compensation we pay to Ernst & Young LLP for audit services and pre-approves non-audit services provided by Ernst & Young LLP before we engage it to render non-audit services. These non-audit services may include audit-related services, tax services and other services.

Our audit committee may delegate to one or more designated members of our audit committee the authority to grant required pre-approvals. The decisions of any member to whom authority is delegated to pre-approve non-audit services must be presented to our full audit committee at its next scheduled meeting. Our audit committee approved all of the fees described below pursuant to the policies described above.

Independent Registered Public Accounting Firm Fees and Services

During the fiscal years ended December 31, 2016 and 2015, we retained Ernst & Young LLP to provide audit and other services. The following table represents aggregate fees billed or to be billed to us by Ernst & Young LLP for services performed for the fiscal years ended December 31, 2016 and 2015.

<u>Fees</u>	<u>2016</u>	<u>2015</u>
Audit Fees (1)	\$ 1,241,637	\$ 513,754
Audit-Related Fees	—	—
Tax Fees (2)	\$ 46,932	\$ 147,731
All Other Fees	—	—
Total	\$ 1,288,569	\$ 661,485

- (1) This category consisted of fees for professional services rendered for the audit of our financial statements, review of interim financial statements, assistance with registration statements filed with the SEC and services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements.
- (2) This category consisted of fees for professional services rendered for tax compliance and tax advice.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis describes our compensation philosophy, the material elements and objectives of our compensation programs for our named executive officers and directors and the factors, rationale and processes used to determine compensation for our named executive officers and directors in 2016.

Our named executive officers for 2016 are listed below:

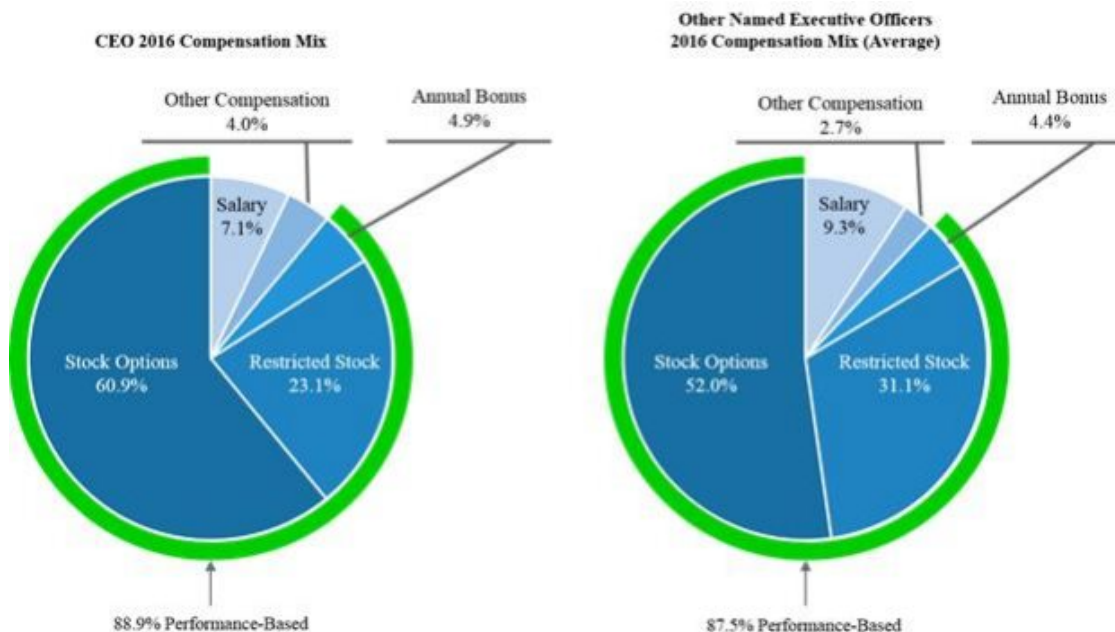
- Lewis T. Williams, M.D., Ph.D., President, Chief Executive Officer and Chairman of the Board;
- Marc Belsky, Senior Vice President and Chief Financial Officer;
- Kevin Baker, Ph.D., Senior Vice President, Preclinical Development;
- Aron M. Knickerbocker, Chief Operating Officer; and
- Robert Sikorski, M.D., Ph.D., Former Senior Vice President and Chief Medical Officer.

Executive Compensation Philosophy

We have a pay-for-performance focused executive compensation philosophy and believe that compensation should be designed to drive company performance to increase stockholder value. We seek to achieve this by using different elements of compensation and a market-based approach to attract, retain and motivate a high-performing team of executive officers and by aligning most of our executives' compensation with the company's short- and long-term performance as well as individual contributions. We generally target cash-based compensation at the 50th percentile of our executive compensation peer group. Prior to 2016, we generally targeted our long-term incentive compensation at the 50th percentile of our peer group. During 2014 and 2015, however, we noted an increase in the number of biotechnology companies going public, an increase in the formation of new venture capital-backed biotechnology companies and increased capital market financings by biotechnology companies, including, in particular, companies focused on immuno-oncology. This increased funding and company formation activity created an increase in demand for highly qualified clinical, scientific, technical and management personnel, in particular those with immuno-oncology experience and those located in the San Francisco Bay Area. Because of these dynamics and the importance of attracting and retaining key talent and executing our strategic objectives, in January 2016, our compensation committee believed it was appropriate to begin to target our long-term incentive compensation to deliver value at the 75th percentile of our peer group. Our compensation committee believes that our executive compensation program is consistent with the goals of our philosophy.

Our compensation committee regularly reviews the executive compensation programs and practices of the company and other companies in our industry and our executive compensation peer group as well as evolving trends in executive compensation to ensure that our programs and practices continue to reflect our philosophy and remain competitive to encourage high performance, the execution of our strategy and the advancement of our research, preclinical and clinical programs.

We believe that it is important that performance- and equity-based compensation comprise a substantial portion of each of our executives' total compensation in order to align our executives' interests with those of our stockholders. The charts below illustrate the extent to which we weight compensation towards performance- and equity-based compensation.



Listed below are some of the compensation practices we employ in our executive compensation programs that reinforce or are reflective of our philosophy.

What we do:

- ✓ **Performance metrics tied to company performance.** The performance metrics for our annual incentive plan are tied to company performance, aligning the interests of our executives with our stockholders.
- ✓ **Multi-year vesting requirements.** The equity awards we grant to our executive officers generally vest over multi-year periods, consistent with current market practice and our retention objectives.
- ✓ **Double-trigger termination rights.** Our executive severance agreements require both a change-in-control and a termination of employment for termination rights to be triggered.
- ✓ **Stock ownership guidelines.** We adopted stock ownership guidelines that require our executive officers to maintain a minimum ownership of shares of our common stock to align our executive officers' interests with our stockholders' interests.
- ✓ **Independent compensation committee.** Our compensation committee is comprised solely of independent members of our Board.
- ✓ **Independent compensation consultant.** Our compensation committee uses an independent compensation consultant that provides no other services to the company.

What we do not do:

- ✗ **No tax gross-ups.** None of our executive severance benefits agreements or other employment-related agreements provide for excise tax "gross-ups."
- ✗ **No special perquisites.** We do not provide our executives with perquisites or other personal benefits that differ materially from those available to employees generally. We have provided certain executive officers with relocation and mortgage assistance benefits that we negotiated as part of these executives' new hire offer packages.
- ✗ **No retirement plans.** We do not provide any pension or other retirement benefits to our executive officers, except that we offer all our employees the right to participate in a company-sponsored 401(k) plan under which we match 50% of employee contributions up to \$6,000 per year.

- ✘ **No special health or welfare benefits.** We do not provide our executives with any special health or welfare benefits; our executive officers participate in the same broad-based company-sponsored health and welfare benefits programs offered to our other full-time, salaried employees.
- ✘ **Hedging and pledging prohibited.** Our trading compliance policy prohibits our executive officers and directors from hedging or pledging our securities.

Executive Summary

We are a clinical-stage biotechnology company focused on discovering and developing innovative protein therapeutics to fundamentally improve the lives of patients with serious diseases in ways never before possible. We currently have three product candidates in clinical development covering multiple potential indications. Each of our product candidates has an innovative mechanism of action and addresses patient populations for which better therapies are still needed. We are therapeutically focused on immuno-oncology, an area in which we have clinical, preclinical, research and discovery programs and product and discovery collaborations.

2016 Business Highlights

We made significant progress in 2016 as we continued to advance our therapeutic programs within and towards the clinic and our immuno-oncology discovery and research efforts. We also continued to build out our clinical development capabilities and operations and overall organization to meet the needs of a growing and advancing pipeline of therapeutic candidates. We believe our achievements in 2016 position us to continue to perform to achieve our strategic objectives. A summary of some of our significant achievements and developments in 2016 are listed below.

- **Cabiralizumab in Immuno-oncology.** During 2016 we completed the initial dose-escalation Phase 1a portion of our ongoing Phase 1a/1b trial testing cabiralizumab in combination with *Opdivo*® (nivolumab) and in October 2016 advanced into Phase 1b development in seven different tumor settings.
- **Cabiralizumab in PVNS.** We completed the dose-escalation portion of our Phase 1/2 trial testing cabiralizumab as a monotherapy in pigmented villonodular synovitis, or PVNS. In May 2016, we advanced to the Phase 2 dose expansion portion of the trial and plan to seek regulatory agency guidance on the design of a pivotal trial of cabiralizumab as a monotherapy for the treatment of PVNS.
- **FPA144 in Gastric and Bladder Cancer.** We continued to advance our Phase 1 clinical trial of FPA144. During 2016, we added three new cohorts to the dose expansion portion of the trial to test FPA144 as a monotherapy in gastric cancer patients whose tumors have either medium or low overexpression of FGFR2b and in bladder cancer patients whose tumors overexpress FGFR2b. Based on preliminary efficacy and safety observed in our Phase 1 clinical trial, we plan to seek regulatory agency guidance on the design of a pivotal trial of FPA144 as a monotherapy for the treatment of FGFR2b-overexpressing gastric cancer.
- **Preclinical Pipeline.** We advanced our FPA150 (B7H4 antibody), FPA154 (GITR antibody) and FPT155 (CD80 fusion protein) preclinical programs into IND-enabling studies. We expect to file IND applications for our FPA150 and FPA154 programs by the end of 2017 and for our FPT155 program in 2018.
- **Research and Discovery.** During 2016, we executed several unique immuno-oncology screens, including CD8 T cell and T regulatory cell *in vitro* screens, *in vivo* screens, and our immunome-by-immunome screen, to identify in a systematic and comprehensive manner targets and target pathways for immuno-oncology directed therapeutics. These screens have yielded numerous discoveries that we believe will fuel the future growth of our pipeline.
- **Discovery Collaborations.** We continued to make progress in our immuno-oncology discovery collaboration with BMS, with two therapeutic antibody programs underway and one advancing into IND-enabling activities in 2016. In December 2016, BMS elected to extend the research term from its original ending date of March 2017 to March 2018 to continue work to advance antibody drug candidates targeting three immuno-oncology related pathways.
- **Financial.** We ended 2016 with \$421.7 million in cash, cash equivalents and marketable securities.

Based on our achievement of our 2016 corporate goals and our other achievements in 2016, our compensation committee approved a corporate performance multiplier of 115 % of target.

Governance of Executive Compensation Program

Role of Compensation Committee

Our compensation committee is responsible for fulfilling our Board's responsibility to oversee the compensation of our executive officers, including our Chief Executive Officer, and directors. This responsibility includes oversight of the plans, policies and programs that apply to evaluating the performance and development of and compensating our executive officers and the processes for consideration and determination of executive and director compensation. Our compensation committee also oversees the preparation of the "Compensation Discussion and Analysis" section that we include in our proxy statement. Our Board has ultimate oversight responsibility over executive officer compensation matters and may exercise final approval of any executive officer compensation decision, except as may be otherwise required under applicable law. However, our compensation committee may recommend compensation for our executive officers, and our Board delegated all such decision-making responsibility to our compensation committee for 2016 executive compensation-related matters, including with respect to the evaluation of the company's performance against our 2016 corporate goals and the performance of our executive officers. Our compensation committee's charter is available in the "Corporate Governance" section of our investor relations website at investor.fiveprime.com/governance.cfm.

Our compensation committee periodically reviews and evaluates the components and effectiveness of our executive compensation program to ensure that our executive compensation program is consistent with our goals, and that our executive compensation program is aligned with our executive compensation peer group and the marketplace in which we compete for executive talent. In conducting these reviews and evaluations, our compensation committee utilizes the services of an independent compensation consultant to provide advice regarding executive compensation, including with respect to the composition of our peer group, gather peer group and other relevant executive compensation information and trends, and analyze this information.

Our compensation committee generally reviews and approves the base salary and annual cash bonus for our executive officers at the beginning of each calendar year. From time to time, our compensation committee may review and make changes to annual base salary or target bonus rates at other times during the year as needed (for example, in connection with a mid-year promotion). Our compensation committee also reviews and approves annual long-term equity incentive awards on an annual basis, which in the past generally occurred in July or August of each year. In 2017, we revised the timing of our annual long-term incentive equity award program to occur in February in connection with our annual review process and plan to administer our annual long-term incentive equity award program in February of each year in the future.

Role of Management

Our compensation committee works with and receives information and analyses from the company's management, including our Human Resources, Finance and Legal departments and our Chief Executive Officer, and takes this input into account in determining the structure and amount of compensation for our executive officers. Our management team provides information to our compensation committee regarding executive officer performance, market and peer group data and information, and management's recommendations and proposals regarding executive officer compensation programs and decisions affecting base salaries, cash bonuses, long-term equity incentive compensation and other compensation-related matters. From time to time, our compensation committee also solicits input from other independent members of our Board, in particular in evaluating the performance of our Chief Executive Officer. Members of management, including our Chief Executive Officer, attend portions of our compensation committee's meetings; however, our Chief Executive Officer is not present during decisions regarding his compensation.

Our Human Resources group periodically purchases third-party compensation benchmark surveys and prepares and provides analyses to assist our compensation committee's evaluation and comparison of each element of executive compensation.

Role of Compensation Consultant

Our compensation committee has the sole authority and right, at our expense, to engage external compensation and other consultants and advisors to assist the committee in performing its responsibilities, including to obtain information, analysis and advice regarding our executive compensation program and decision making. Our compensation committee has engaged Radford to assist it in this regard and sets the compensation of and oversees the work of Radford. We have not retained Radford to perform any work for the company other than projects performed at the direction of our compensation committee.

During 2016, Radford attended meetings of and provided the following services to our compensation committee, including with respect to evaluations and decisions regarding 2016 and 2017 executive officer and director compensation:

- reviewing and recommending revisions to the executive compensation peer group we used in 2016 and that we are using in 2017;
- providing compensation information for our peer group companies and competitive data for our executive officers and members of our Board;
- providing competitive market data based on the compensation peer group for the non-employee members of our Board and evaluating the compensation we pay our non-employee directors;
- reviewing the base salaries, annual cash incentive award opportunities and long-term incentive compensation opportunities of our executive officers;
- evaluating how our executive compensation compares to our performance and to our peer group's executive compensation;
- providing guidance on trends in executive officer and director compensation, corporate governance and regulatory issues and developments;
- reviewing our peer group and market equity compensation practices, including burn rate and overhang;
- reviewing equity ownership guidelines and best practices;
- consulting with our compensation committee chair periodically between compensation committee meetings; and
- reviewing our Compensation Discussion and Analysis.

Our compensation committee has reviewed the independence of Radford, including the six independence factors adopted by the SEC and The NASDAQ Stock Market, and determined that Radford is independent and that its work for our compensation committee did not raise any conflicts of interest.

Peer Group Selection and Benchmarking

To inform executive compensation decisions and ensure the competitiveness of our executive compensation programs and decisions, our compensation committee benchmarks our executive compensation against the executive compensation of a peer group of companies. Our compensation committee selects companies to include in our executive compensation peer group that on balance meet the following criteria at the time of selection:

- companies whose stage of product development, therapeutic focus, market capitalization and number of employees are similar to ours; and
- companies that are headquartered in the San Francisco Bay Area or another significant biotech market (e.g., Boston, San Diego, Tri-State, etc.).

Because our stage of development, market capitalization and number of employees may change year over year, and the companies within our peer group undergo similar changes and in some instances changes in therapeutic focus, our compensation committee annually reviews and, as appropriate, revises our peer group composition to ensure it

continues to represent companies that meet our criteria. Our compensation committee receives input in this review process from Radford as well as our management. Working with Radford, in November 2015, our compensation committee selected the companies listed below as our executive compensation peers. Our compensation committee used this peer group to make executive compensation decisions in 2016.

Acceleron Pharma Inc.	Enanta Pharmaceuticals Inc.	Mirati Therapeutics, Inc.
Agenus Inc.	Endocyte, Inc.	NewLink Genetics Corporation
Array BioPharma Inc.	Epizyme, Inc.	OncoMed Pharmaceuticals, Inc.
Celldex Therapeutics, Inc.	FibroGen, Inc.	Regulus Therapeutics Inc.
Cempra, Inc.	Geron Corporation	Rigel Pharmaceuticals, Inc.
ChemoCentrx Inc.	ImmunoGen, Inc.	Sangamo BioSciences, Inc.
Chimerix Inc.	Kite Pharma, Inc.	Stemline Therapeutics, Inc.
Cytokinetics Inc.	MacroGenics, Inc.	Sucampo Pharmaceuticals, Inc.
Dynavax Technologies Corporation	Merrimack Pharmaceuticals, Inc.	TESARO Inc.

In November 2016, our compensation committee worked with Radford to re-evaluate our peer group. During their review, our compensation committee and Radford considered that since they had evaluated the company's peer group in November 2015, our market capitalization had more than doubled while many members of our peer group at the time had experienced declines in their market capitalization. As a result, as of November 2016, a majority of the companies that had comprised our peer group no longer met our market capitalization criteria. Radford noted that due to the generally greater volatility in the market capitalization of biotechnology companies of our size, turnover in our peer group year-over-year is not unexpected and that revising our peer group in response to these changes would better ensure the continued competitive positioning of our compensation programs. Based on the factors listed above and in consultation with Radford and the company's management, in November 2016, our compensation committee modified our peer group to include companies with a market capitalization more similar to ours and selected the companies listed below as our executive compensation peers. Our compensation committee is using this peer group to make executive compensation decisions in 2017.

Acceleron Pharma Inc.	Cempra, Inc.	Merrimack Pharmaceuticals, Inc.
Achillion Pharmaceuticals, Inc.*	Dermira, Inc.*	Ophthotech Corporation*
Aduro Biotech, Inc.*	Dynavax Technologies Corporation	Portola Pharmaceuticals, Inc.*
Agenus Inc.	Epizyme, Inc.	Prothena Corporation plc*
Agios Pharmaceuticals, Inc.*	FibroGen, Inc.	Radius Health, Inc.*
Alder BioPharmaceuticals, Inc.*	Juno Therapeutics, Inc.*	Spark Therapeutics, Inc.*
Array BioPharma Inc.	Kite Pharma, Inc.	Ultragenyx Pharmaceutical Inc.*
bluebird bio, Inc.*	MacroGenics, Inc.	Xencor, Inc.*

* addition to 2017 peer group

In addition to reviewing the executive compensation programs and practices of our peer group, because we compete for executive talent with many companies throughout the biopharmaceutical and biotechnology industries, our compensation committee also reviews and considers the executive compensation practices of companies in the biopharmaceutical and biotechnology sector as reported by Radford through industry surveys and proxy analyses.

Executive Compensation Elements

The primary elements of our executive compensation program are:

- base salary;
- annual performance-based cash incentives;
- retention cash awards;
- long-term equity incentive awards; and
- severance and change in control benefits.

In addition to these primary elements of executive compensation, we also offer our executive officers broad-based health and welfare benefits and 401(k) plan benefits consistent with the benefits we provide to our other employees.

Base Salary

The purpose of base salary compensation is to provide to each executive a competitive level of fixed cash compensation that is paid regularly throughout the year. The amount of base salary we pay each executive is determined by our compensation committee primarily based upon the range of salaries for similar positions at peer companies and takes into consideration the executive officer's experience, knowledge, skills, education, performance and contributions to the company. Base salary is the only element of compensation that is fixed; the remainder and majority of each executive officer's potential compensation is composed of variable compensation that is designed to incentivize shorter-term (annual) or longer-term performance of the company.

In assessing what the market would pay as base salary for a given executive officer position, our compensation committee relies on compensation information from our executive compensation peer group as well as compensation benchmark surveys we purchase (see "Peer Group Selection and Benchmarking" above). Our compensation committee currently targets the 50th percentile of market for executive officer base salary compensation. An individual executive officer's base salary, however, may vary from the 50th percentile peer group level of the officer's position based on the officer's experience, knowledge, skills, education, performance and contributions to the company. For example, an executive officer that has extensive experience and greater knowledge and skills for the relevant position or has significantly contributed to our performance may have a base salary that is significantly greater than the 50th percentile level of our executive compensation peer group for a comparable position. We do not provide for any automatic base salary increases.

Our compensation committee, with input from our Chief Executive Officer, reviews and evaluates each executive officer's base salary during the first quarter of each year. In connection with this review and evaluation, our compensation committee will adjust an executive officer's base salary, if appropriate, based on the officer's individual performance and contributions during the preceding year, changes or expected changes in the scope of the officer's responsibilities, including as a result of a promotion, changes in the base salary range of compensation at our peer group companies, the growth of or changes in our operations and the expected ease or difficulty of replacing the executive with a well-qualified replacement. Our compensation committee also takes into consideration general compensation trends within the biotechnology and life sciences industries.

2016 Annual Base Salary Review

In January 2016, our compensation committee reviewed and evaluated the base salaries of our executive officers and approved the annual base salary for the named executive officers shown in the below table. Dr. Baker, who is one of our named executive officers, joined the company in February 2016 and he was not part of the review and evaluation process in January 2016.

Executive Officer	Prior Annual Base Salary	2016 Annual Base Salary	% Increase
Lewis T. Williams, M.D., Ph.D.	\$ 525,000	\$ 575,000	9.5%
Marc Belsky	\$ 325,000	\$ 365,000	12.3%
Aron M. Knickerbocker	\$ 400,000	\$ 420,000	5.0%
Robert Sikorski, M.D., Ph.D.	\$ 350,000	\$ 385,000	10.0%

Dr. Williams' annual base salary during 2015 was at the 25th percentile and our compensation committee approved a 9.5% increase to his annual base salary to \$575,000, which was just above the 50th percentile. Similarly, Mr. Belsky's annual base salary was below the 25th percentile and our compensation committee approved a 12.3% increase to his base salary to \$365,000, which was at the 50th percentile. Our compensation committee increased Dr. Sikorski's annual base salary by 10.0%, which was just below the 75th percentile, based on his performance during 2015.

In May 2016, we promoted Dr. Sikorski from the position of Senior Vice President, Global Clinical Development, to Senior Vice President and Chief Medical Officer. In connection with his promotion, our compensation committee evaluated Dr. Sikorski's annual base salary in comparison to peer data for the chief medical officer position as well as in comparison to other executive officers of the company, taking into consideration Dr. Sikorski's experience, knowledge, skills, education, performance and contributions to the company, and approved an increase in his annual base salary from \$385,000 to \$420,000, a 9.1% increase, which was just below the 60th percentile for the Chief Medical Officer position, and an increase in his annual target bonus from 35% to 40% of his annual base salary, which was at the 75th percentile and aligned with the annual target bonus for our Chief Financial Officer.

Our compensation committee approved Dr. Baker's initial base salary of \$330,000 when he re-joined the company in February 2016. In August 2016, our compensation committee reviewed Dr. Baker's annual base salary in comparison to peer data for his position as well as in comparison to other executive officers of the company, taking into consideration Dr. Baker's experience, knowledge, skills, education, performance and contributions to the company. As a result of this review, our compensation committee approved an adjustment to Dr. Baker's annual base salary to increase it from \$330,000 to \$350,000, a 6.1% increase, to better align his base salary with comparable peer positions and internally. As adjusted, Dr. Baker's salary was below the 50th percentile for comparable peer positions.

2017 Annual Base Salary Review

In January 2017, our compensation committee reviewed and evaluated the base salaries of our executive officers and approved the annual base salary for each of our named executive officers shown in the below table.

Executive Officer	Prior Annual Base Salary	2017 Annual Base Salary	% Increase
Lewis T. Williams, M.D., Ph.D.	\$ 575,000	\$ 600,000	4.3%
Marc Belsky	\$ 365,000	\$ 381,500	4.5%
Kevin Baker, Ph.D.	\$ 350,000	\$ 365,000	4.3%
Aron M. Knickerbocker	\$ 420,000	\$ 435,000	3.6%
Robert Sikorski, M.D., Ph.D.	\$ 420,000	\$ 440,000	4.8%

Annual Performance-Based Cash Compensation

The purpose of our annual cash incentive program is to provide short-term variable cash compensation to incentivize and reward our executive officers to achieve or exceed our annual corporate goals as well as each officer's annual personal goals. This element of compensation reinforces our pay-for-performance philosophy and incentivizes shorter-term (annual) performance. Each executive officer is eligible for a target bonus determined as a percentage of his annual base salary. Our compensation committee determines these target bonus percentages for each executive officer position primarily based on the range of target bonus percentages for similar positions at peer companies. Our compensation committee periodically reviews and evaluates each executive officer's target bonus percentage. Because target bonus percentages by position tend not to be as dynamic as base salary compensation, changes to an executive officer's target bonus percentage tend to occur less frequently than changes in base salary, and changes that are made to an officer's target bonus percentage are often a result of changes to the executive officer's position, including as a result of a promotion.

For annual incentive bonus determinations, we vary the weighting of personal and corporate goal performance by level within the company, with greater emphasis placed on corporate performance for executive officers and a greater emphasis on personal performance for non-executive officer employees of the company. The weighting varies even among our executive officers, with greater weight attributed to corporate goal performance for more senior executive officers. We believe this better aligns our executive officers' performance with the company as a whole while still incentivizing personal performance, which is generally more aligned with the performance of the functional areas each executive officer leads. In addition, our executives have a greater opportunity to significantly impact our corporate goal performance given their positions and responsibilities. The current target bonus percent and weighting for each of our named executive officers is shown in the table below.

Executive Officer	Total Target Bonus (%)	Corporate Goal Weighting	Personal Goal Weighting
Lewis T. Williams, M.D., Ph.D.	60%	100%	—
Marc Belsky	40%	60%	40%
Kevin Baker, Ph.D.	35%	60%	40%
Aron Knickerbocker	45%	75%	25%
Robert Sikorski, M.D., Ph.D.	40%	60%	40%

A description of our 2016 corporate goals is as follows:

- advance the Phase 1a/1b clinical trial of the combination of cabiralizumab (FPA008) and *Opdivo* for the treatment of cancer and begin dosing in all Phase 1b cohorts;
- advance the Phase 1/2 clinical trial of cabiralizumab for the treatment of PVNS to dose a certain number of patients in the Phase 2 portion of the trial;
- advance the Phase 1 clinical trial of FPA144 for the treatment of FGFR2b-overexpressing gastric cancer to dose a certain number of patients in the dose expansion portion of the trial;
- advance the development of FPA144 into other settings;
- begin development of a companion diagnostic test that could be used in pivotal trials of FPA144 and for commercialization;
- advance preclinical programs into IND-enabling activities;
- advance early research programs into therapeutic antibody or fusion protein campaigns;
- execute on immuno-oncology discovery research surge to identify new targets to fuel future pipeline growth;
- in-license, option or acquire a therapeutic candidate program;
- negotiate the return of rights to FP-1039 from GlaxoSmithKline; and
- revise the company's strategic plan in light of the company's out-license of rights to cabiralizumab to BMS in late 2015.

These goals were intended to be challenging and rigorous. In January 2017, our compensation committee reviewed and evaluated our performance against our 2016 corporate goals and the performance of each executive officer's 2016 personal goals. Our compensation committee also evaluated other achievements of the company and our executive officers during 2016 that were not included as stated goals or objectives of the company for 2016. Our compensation committee determined that we had largely achieved each of our corporate goals in 2016, except that we did not in-license, option or acquire a therapeutic candidate program. However, our compensation committee balanced this against the process and activities we undertook to identify and evaluate therapeutic candidate programs to potentially in-license, option or acquire and the productivity of our early discovery and research and preclinical activities, which reduced our strategic rationale for pursuing a therapeutic candidate program to in-license, option or acquire.

In addition, our compensation committee considered the following additional achievements of the company in 2016 that were not included as our stated goals or objectives:

- our expansion of the Phase 1a portion of our Phase 1a/1b clinical trial of the combination of cabiralizumab and *Opdivo* to include a cabiralizumab monotherapy cohort and combination cohort to further explore cabiralizumab in undefined settings;
- our addition of two additional gastric cancer cohorts to our Phase 1 clinical trial of FPA144 to test FPA144 in patients whose tumors have moderate levels of FGFR2b overexpression and low levels of FGFR2b overexpression;
- our addition of a cohort to our Phase 1 clinical trial of FPA144 to test FPA144 in patients with bladder cancer whose tumors overexpress FGFR2b;
- our evaluation of options to address our office and laboratory space needs as the company grows and our negotiation and execution of a lease for office and laboratory space to serve as our new headquarters;
- our increased level of investor relations activities and engagement with stockholders and analysts, which resulted in increased analyst coverage during the year; and
- our success in building our organization and expanding our internal capabilities to meet the growing needs of the company as our therapeutic candidate pipeline advances and expands.

Based on our performance against our 2016 corporate goals and the additional achievements of the company during 2016 that were not included as our stated goals or objectives for 2016, our compensation committee approved a corporate goal modifier of 115% to our cash incentive awards. Taking into consideration the individual performance of our named executive officers and applying the corporate goal modifier of 115%, our compensation committee approved the 2016 cash incentive payments to our named executive officers shown in the table below.

Executive Officer	2016 Target Bonus		2016 Actual Bonus	
	% of Base Salary	(\$)	(\$)	% of Target Bonus
Lewis T. Williams, M.D., Ph.D.	60%	345,000	\$ 396,800	115%
Marc Belsky	40%	146,000	\$ 165,000	113%
Kevin Baker, Ph.D.	35%	117,833 (1)	\$ 142,600	121%
Aron M. Knickerbocker	45%	189,000	\$ 215,000	114%
Robert Sikorski, M.D., Ph.D.	40%	153,653 (2)	\$ 179,800	117%

- (1) Dr. Baker's target bonus was prorated based on his February 1, 2016 start date and on a change in his annual base salary from \$330,000 to \$350,000, effective September 1, 2016.
- (2) Dr. Sikorski's target bonus was prorated based on an increase in his annual base salary from \$385,000 to \$420,000 and an increase in his annual target bonus from 35% to 40%, both of which were effective June 1, 2016.

Retention Bonus Agreements

During 2014 and early 2015, we noted an increase in the number of biotechnology companies going public, an increase in the formation of new venture capital-backed biotechnology companies and increased capital market financings by biotechnology companies, including, in particular, companies focused on immuno-oncology. This increased funding and company formation activity created an increase in demand for highly qualified clinical, scientific, technical and management personnel, in particular those with immuno-oncology experience and those located in the San Francisco Bay Area. Because of these dynamics and the importance of retaining key talent and executing our strategic objectives, in April 2015, our compensation committee approved retention bonuses payable in 2016 and 2017 and granted restricted stock awards to certain of our employees, including executive officers. Pursuant to the retention award agreements, we agreed to pay to each of these individuals two cash retention payments equal to 50% of the amount of the cash incentive bonus we paid to such individual for 2015 performance and for 2016 performance, respectively. We paid the first cash retention payment on February 15, 2016 and the second cash retention payment on February 15, 2017, as shown in the table below.

Executive Officer	Retention Bonus Paid in	
	2016	2017
Lewis T. Williams, M.D., Ph.D.	\$ 315,000	\$ 198,400
Marc Belsky	\$ 92,450	\$ 82,500
Aron M. Knickerbocker	\$ 155,700	\$ 107,500
Robert Sikorski, M.D., Ph.D.	\$ 85,350	\$ 89,900

Long-Term Incentive Compensation

Long-term incentive compensation is generally the largest portion of each executive's overall compensation and is variable and at-risk. Because the drug development process is lengthy, generally taking many years and requiring long-term investments that have a substantial risk of failure, we believe it is appropriate that this element of compensation represents the largest potential portion of each executive's overall compensation to focus our executive officers on long-term success. This element of compensation is composed of equity awards that generally vest over several years to focus our executives on the company's success over a multi-year period and promote the retention of our executive officers. We also design our long-term equity awards to remain competitive in the recruitment and retention of executives and other employees. Prior to 2016, we generally targeted our long-term incentive compensation at the 50th percentile of our peer group. During 2014 and 2015, however, we noted an increase in the number of biotechnology companies going public, an increase in the formation of new venture capital-backed biotechnology companies and increased capital market financings by biotechnology companies, including, in particular, companies focused on immuno-oncology and those located in the San Francisco Bay Area. This increased funding and company formation activity created an increase in demand for highly qualified clinical, scientific, technical and management personnel, in particular those with immuno-oncology experience. Because of these dynamics and the importance of attracting and retaining key talent and executing our strategic objectives, in January 2016, our compensation committee believed it was appropriate to begin to target our long-term incentive compensation to deliver value at the 75th percentile of our peer group. Like short-term incentive compensation, no executive is guaranteed to receive any equity awards or awards of a certain value.

Historically, we have used options to purchase shares of our common stock as the primary equity award instrument for long-term incentive compensation. We grant options with an exercise price equal to the fair market value of our common stock on the date of grant and generally provide that the option will vest over a four-year period. We believe these features provide an appropriate long-term incentive and reward the option holder only to the extent that our stock price increases and stockholder value increases. We provide long-term incentive equity grants in connection with the start of each executive officer's employment and provide annual grants of long-term incentive equity grants.

As with the other elements of compensation, our compensation committee approves the amount and composition of long-term incentive compensation for our executive officers. In evaluating the target size of equity grant awards for executive officers, our compensation committee takes into consideration market and peer group data regarding long-term incentive compensation to ensure our grants are competitive with the target to deliver value at the 75th percentile. We balance this with a consideration of the aggregate number of share-based awards we expect to grant

during the calendar year as compared to the total number of shares outstanding (our “burn rate”) and the number of share-based incentive awards outstanding as compared to the total number of shares outstanding (our “overhang”). Our compensation committee also takes into consideration each executive officer’s performance and contributions to the company, the recommendations of our Chief Executive Officer (except with respect to his own long-term incentive compensation) and the amount of owned, vested and unvested equity holdings of the executive officer.

In 2016, we granted our annual long-term incentive equity grants to officers and other employees in August and we began to deliver a portion of the annual long-term incentive compensation we award in the form of restricted stock awards. For our executives, we determined to target approximately 75% of the value of long-term incentive compensation in the form of stock options and the remaining approximately 25% of the value in the form of restricted stock awards. We believe that restricted stock awards help us to retain our executive officers and reward them for long-term stock price appreciation while at the same time providing some value even if the market price of our common stock declines. After considering the factors described above, in August 2016, our compensation committee approved the grants to our named executive officers of the stock options and restricted stock awards shown in the table below.

Executive Officer	Options to Purchase Common Stock		Restricted Stock Awards	
	(number of shares)	(grant date fair value)	(number of shares)	(grant date fair value)
Lewis T. Williams, M.D., Ph.D.	180,000	\$ 4,910,616	42,500	\$ 1,857,675
Marc Belsky	30,000	\$ 818,436	5,000	\$ 218,550
Kevin Baker, Ph.D.	—	—	7,500	\$ 327,825
Aron M. Knickerbocker	60,000	\$ 1,636,872	10,000	\$ 437,100
Robert Sikorski, M.D., Ph.D.	60,000	\$ 1,636,872	10,000	\$ 437,100

The options to purchase shares of our common stock vest and become exercisable at the rate of 1/48 of the total number of shares subject to the applicable option each month after the grant date, subject to the executive officer’s continuous service to the company through each vest date. The restricted stock awards will vest with respect to 1/3 of the shares subject to the applicable award on each of September 1, 2017, 2018 and 2019.

In February 2016, in connection with his appointment as our Senior Vice President, Development Sciences, our compensation committee approved the grant to Dr. Baker of an option to purchase 75,000 shares of our common stock and 75,000 shares of restricted common stock. Our compensation committee determined the amounts of these awards as part of an overall compensation package included in the offer letter agreement we negotiated with Dr. Baker in connection with the commencement of his employment. Dr. Baker’s stock option award vested with respect to 25% of the shares subject to the option in February 2017 and thereafter began vesting with respect to 1/48 of the shares subject to the option each month, subject to his continuous service to the company through each vest date. Half of the shares subject to Dr. Baker’s restricted stock grant will vest in February 2018 and the other half of the shares will vest in February 2019, in each case subject to his continuous service to the company through each vest date.

In September 2016, our Board promoted Mr. Knickerbocker to the position of Chief Operating Officer. In connection with his promotion, our compensation committee approved the grant to Mr. Knickerbocker of an option to purchase 50,000 shares of our common stock and 10,000 shares of restricted common stock. Mr. Knickerbocker’s stock option award vests with respect to 1/48 of the shares subject to the option each month, subject to his continuous service to the company through each vest date. Mr. Knickerbocker’s restricted stock award will vest with respect to 1/3 of the shares subject to the award on each of September 1, 2017, 2018 and 2019, in each case subject to his continuous service to the company through each vest date.

Severance and Change in Control Benefits

We believe that offering reasonable and competitive severance benefits as part of an overall compensation package is necessary to effectively compete for and attract and retain executive talent. We have entered into executive severance benefits agreements, or severance agreements, with each of our named executive officers under which we have agreed to provide our named executive officers with severance benefits after a termination of

employment in certain circumstances, including in connection with a change in control. The change in control benefits under our severance agreements are intended to keep our executive officers focused on maximizing stockholder value through any actual or potential change in control transaction, including when such a transaction may result in the elimination of an executive officer's position or other adverse changes in the officer's job conditions, responsibility or authority. This better aligns the interests of our executive officers with our stockholders. Without these benefits, executive officers may be inclined to terminate their employment prior to the closing of the change in control. Any such departures could jeopardize the consummation of the transaction or our interests if the transaction does not close and we remain independent. Our compensation committee believes that these severance benefits promote stability and continuity, serve to enhance stockholder value in actual or threatened change in control transactions and align our executive officers' interests with those of our stockholders in change in control transactions.

These severance agreements provide that, in the event we terminate the executive's employment without "cause," as defined in the severance agreements, at any time or we terminate the executive's employment without cause or he or she resigns for "good reason," as defined in the severance agreements, within three months prior to or 12 months following a change in control of the company, the executive officer will be entitled to receive the severance benefits described below, subject to executing a general release of claims in favor of the company and complying with, among other things, the confidentiality, non-compete and non-solicit provisions of his or her severance agreement.

In the event of a termination of employment that triggers severance benefits under a named executive officer's severance agreement, the named executive officer would be entitled to: (i) severance payments following termination equal to the number of months of base salary and pro-rata annual bonus (calculated based on the higher of (x) the named executive officer's target annual bonus at the time of termination or (y) the average of the actual cash bonus amounts paid to such named executive officer for the three years preceding the date of termination) set forth in the table below, less applicable withholdings; (ii) acceleration of the vesting of all unvested shares subject to outstanding options to purchase our common stock held by the named executive officer, as set forth in the table below; (iii) lapse of our reacquisition or repurchase rights with respect to unvested shares of common stock issued or issuable pursuant to any other stock award granted to the named executive officer pursuant to an equity incentive plan, as set forth in the table below; and (iv) if elected by the named executive officer, payment or reimbursement of COBRA premiums through the earlier of the number of months after termination set forth in the table below or the date the named executive officer and his or her covered dependents, if any, become eligible for group health insurance through another employer.

	Cash Severance and COBRA Premium Reimbursement		Acceleration of Vesting of Equity Awards	
	No Change in Control	Change in Control Related	No Change in Control	Change in Control Related
Chief Executive Officer	12 months	24 months	50%	100%
Other Named Executive Officers	9 months	18 months	50%	100%

In addition, the severance agreements provide that in the event that the severance and other benefits provided for or otherwise payable to the executive constitute "parachute payments" within the meaning of Section 280G of the Code and are subject to the excise tax imposed by Section 4999 of the Code, then we will pay (i) the executive's severance benefits under the severance agreement in full if the quotient obtained by dividing (a) the excess of (1) the full payment, over (2) the largest payment possible without the imposition of the excise tax, or the reduced payment, by (b) the reduced payment, is greater than 10%, or (ii) the reduced payment, if such quotient is less than or equal to 10%.

Our severance agreements require that the executive officer execute a general release of claims in favor of us to mitigate any potential liability or dispute or the initiation of any litigation with the departing executive officer and also require the departing executive officer to comply with, among other things, the confidentiality, non-compete and non-solicit provisions of his or her severance agreement following employment termination.

The table titled “Potential Payments Upon Termination or Change in Control” below contains estimates of the value of the severance payments and benefits that would be made or provided to our named executive officers under specific termination circumstances.

Other Benefits

All of our named executive officers are eligible to receive our standard employee benefits, including our 401(k) plan, medical, dental, vision, short- and long-term disability, group life insurance and our ESPP (as defined below in “2013 Employee Stock Purchase Plan”), in each case on the same basis as our other employees, including the matching contributions provided under our 401(k) plan. Our 401(k) plan provides that each participant may contribute up to 100% of his or her pre-tax compensation, up to a statutory limit of \$18,000 in 2016 and 2017. We provide a company match equal to 50% of the amount contributed by an employee, up to a maximum amount of \$6,000, and pay all company matches in cash. Participants who are at least 50 years old can also make “catch-up” contributions, which in 2016 and 2017 may be up to an additional \$6,000 above the statutory limit. Our 401(k) plan also permits us to make discretionary contributions, subject to established limits and a vesting schedule. To date, we have not made any discretionary contributions to the plan on behalf of participating employees. Our compensation committee periodically reviews the levels of benefits provided to executive officers to ensure they remain reasonable and consistent with its compensation philosophy.

Perquisites

We do not as a general practice provide perquisites or other personal benefits to our executive officers that differ materially from those available to employees generally. We have provided certain executive officers with relocation and mortgage assistance benefits that we negotiated as part of these executives’ new hire offer packages, including the time-limited mortgage assistance benefit described in the section below titled “Dr. Sikorski’s Offer Letter Agreement.”

Employment Arrangements

We have entered into employment offer letter agreements with each of our named executive officers, except for Dr. Williams, who founded the company and was the first employee of the company. Each of these offer letters provides for “at will” employment and sets forth the initial compensation arrangements for the executive officer, including with respect to the executive officer’s initial base salary, annual target cash bonus opportunity (each of which have been superseded by the salaries and target cash bonus opportunities disclosed in more detail in this Compensation Discussion and Analysis) and new hire equity awards (each of which is disclosed in more detail in the compensation charts following this Compensation Discussion and Analysis). The terms and conditions of each offer letter agreement were negotiated by our Chief Executive Officer and were approved by either our Board or compensation committee. The material compensation-related actions arising from the offer letter agreements with our named executive officers were performed prior to 2016, except that our offer letter agreements with Dr. Baker and Dr. Sikorski contain provisions with respect to which actions were taken in 2016 or could be taken in the future, which provisions are summarized below.

Dr. Sikorski’s Offer Letter Agreement

Pursuant to the terms of Dr. Sikorski’s offer letter agreement, we agreed to provide Dr. Sikorski with up to three years of mortgage assistance for the purchase of a primary residence in the San Francisco Bay Area, which we agreed to pay in semi-monthly installments of \$3,000 each. We began making mortgage assistance payments to Dr. Sikorski in December 2014. In 2016, we paid Dr. Sikorski \$72,000 in mortgage assistance pursuant to his offer letter agreement.

If Dr. Sikorski voluntarily resigns his employment with us, or if we terminate Dr. Sikorski's employment for cause, Dr. Sikorski is obligated to promptly repay to us the mortgage assistance payments we made to him in accordance with the schedule below:

- 75% of the mortgage assistance payments, if such termination occurs prior to December 15, 2017; or
- 50% of the mortgage assistance payments, if such termination occurs on or after December 15, 2017 but prior to December 15, 2018.

Dr. Sikorski transitioned from his position as Senior Vice President and Chief Medical Officer on March 18, 2017 to Senior Vice President, Special Projects.

Dr. Baker's Offer Letter Agreement

Pursuant to the terms of Dr. Baker's offer letter agreement, we agreed to pay Dr. Baker an initial annual base salary of \$330,000 and set his target annual cash bonus opportunity at 35% of his annual base salary.

We also agreed in the offer letter agreement to recommend to our compensation committee the grant of an option to purchase 75,000 shares of our common stock and a restricted stock award of 75,000 shares. Our compensation committee approved these equity awards to Dr. Baker effective as of his start date on February 1, 2016. One fourth of the shares subject to Dr. Baker's new hire stock option award vested on February 1, 2017 and the remainder of the option will vest with respect to 1/36th of the shares subject to the option each month thereafter. One half of Dr. Baker's new hire restricted stock award will vest on February 1, 2018 and the remainder of the award will vest on February 1, 2019. The continued vesting of each of these equity awards is subject to Dr. Baker's continued service to the company through each vest date.

Under Dr. Baker's offer letter agreement, we paid him a new hire bonus in the amount of \$100,000. Dr. Baker is obligated to repay us 50% of the new hire bonus amount if he voluntarily resigns his employment with us or if we terminate his employment for cause prior to February 1, 2018.

Dr. Baker's offer letter agreement also provided that we would enter into an Executive Severance Benefits Agreement with him on the same terms and conditions and providing for the same severance and other benefits as we previously provided other senior vice presidents of the company. We entered into that agreement effective February 1, 2016. A summary of the material terms and conditions of Dr. Baker's Executive Severance Benefits Agreement is included in the "Change in Control and Severance Plan," and "Potential Payments Upon Termination or Change in Control" sections of this proxy statement.

No Tax Gross-Ups

We do not provide for any tax gross-up payments to our named executive officers.

Accounting and Tax Considerations

Section 162(m) . Section 162(m) of the Code generally disallows a tax deduction for compensation in excess of \$1.0 million paid to our Chief Executive Officer and our three other most highly paid executive officers other than our principal financial officer. Qualifying performance-based compensation is not subject to the deduction limitation if specified requirements are met. Our Board may, in its judgment, authorize compensation payments that do not comply with the exemptions in Section 162(m) when it believes that such payments are appropriate to attract and retain executive talent.

Section 409A . Our compensation committee also takes into account whether components of our compensation program may be subject to the penalty tax associated with Section 409A of the Code and aims to structure the elements of compensation to comply with or be exempt from Section 409A to avoid such potential adverse tax consequences.

Sections 4999 and 280G. Section 4999 of the Code imposes a 20% excise tax on certain “excess parachute payments” made to “disqualified individuals.” Under Section 280G of the Code, such excess parachute payments are also nondeductible to the payer. If payments that are contingent on a change in control to a disqualified individual (which terms include our named executive officers) exceed three times the individual’s “base amount,” they constitute “excess parachute payments” to the extent they exceed one times the individual’s base amount.

We have entered into agreements with each of our named executive officers, pursuant to which we will cap the payments to these executives if needed to avoid application of Sections 4999 and 280G, but only if the officer is better off on a net after-tax basis by at least 10%, as described in “Severance and Change in Control Benefits” above. We would not be permitted to claim a federal income tax deduction for the portion of the change of control payment that constitutes an “excess parachute payment.”

ASC 718. In addition, we account for equity compensation paid to our employees in accordance with ASC 718, which requires us to estimate and record an expense over the service period of the award. We record cash compensation as an expense at the time the obligation is accrued. The accounting impact of our compensation programs is one of many factors that we consider in determining the size and structure of our programs.

Risk Analysis

Our management assesses and discusses with our compensation committee our compensation policies and practices for our employees as they relate to our risk management. Based on this assessment, as well as Radford’s holistic review of all company compensation programs, we do not believe that any risks arise from such policies and practices that are reasonably likely to have a material adverse effect on us in the future.

Stock Ownership Guidelines

In December 2016, we adopted stock ownership guidelines, which we believe will further align our executive officers’ and Board members’ interests with our stockholders’ interests. We will require our executive officers and non-employee directors to maintain a minimum number of shares of our stock while serving in such capacity. We require that our Chief Executive Officer, each executive officer and non-employee member of our Board achieve by the later of December 2021 or five years after the date the executive officer or non-employee member of our Board is appointed, and maintain thereafter, ownership of shares of common stock or vested options to purchase shares of our common stock as set forth below:

- for our Chief Executive Officer, share and vested option ownership with a value of at least five times the Chief Executive Officer’s annual base salary;
- for each executive officer other than our Chief Executive Officer, share and vested option ownership with a value of at least three times the executive officer’s annual base salary; and
- for each non-employee member of our Board, share and vested option ownership with a value of at least three times the regular annual retainer for non-employee members of our Board.

Summary Compensation Table

The following table shows information regarding the compensation of our named executive officers during the fiscal years ended December 31, 2016, 2015 and 2014.

Name and Principal Position	Year	Salary (\$)	Bonus (\$) ⁽¹⁾	Option Awards (\$) ⁽²⁾	Stock Awards (\$) ⁽²⁾	Non-Equity Incentive Plan Compensation (\$) ⁽³⁾	All Other Compensation (\$) ⁽⁴⁾	Total (\$)
Lewis T. Williams, M.D., Ph.D. <i>Founder, President and Chief Executive Officer</i>	2016	570,833	315,000	4,910,616	1,857,675	396,800	6,000	8,056,924
	2015	525,000	—	1,530,140	3,316,585	630,000	6,000	6,007,725
	2014	525,000	—	1,001,357	—	420,000	—	1,946,357
Marc Belsky <i>Senior Vice President and Chief Financial Officer</i>	2016	361,667	92,450	818,436	218,550	165,000	6,000	1,662,103
	2015	322,917	—	550,850	1,460,941	184,900	6,000	2,525,608
	2014	300,000	—	240,378	—	131,300	—	671,678
Kevin Baker, Ph.D. <i>Senior Vice President, Product Development</i>	2016	309,167 ⁽⁵⁾	100,000 ⁽⁶⁾	1,762,440	2,992,575	142,600	6,000	5,312,782
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
Aron M. Knickerbocker <i>Chief Operating Officer</i>	2016	418,333	155,700	3,182,872	932,500	215,000	6,000	4,910,405
	2015	383,458	—	918,084	1,497,049	311,400	6,000	3,115,991
	2014	364,000	—	399,782	—	222,100	—	985,882
Robert Sikorski, M.D., Ph.D. ⁽⁷⁾ <i>Former Senior Vice President and Chief Medical Officer</i>	2016	402,500	85,350	2,647,816	889,500	179,800	78,000 ⁽⁸⁾	4,282,966
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—

(1) Amount includes retention bonuses that our compensation committee approved in 2016. For information regarding the retention bonuses we paid to our named executive officers in 2016, including the amounts paid to each such executive officer, see “Compensation Discussion and Analysis – Executive Compensation Elements – Retention Bonus Agreements.”

(2) Amounts reflect the grant date fair value of option and stock awards determined in accordance with ASC 718. For information regarding assumptions underlying the value of equity awards, see Note 2 to our financial statements and the discussion under “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Use of Estimates – Stock-Based Compensation,” included in our Annual Report on Form 10-K. These amounts do not correspond to the actual value that our named executive officers will recognize.

(3) Amount represents amounts earned under our annual cash incentive program based on the achievement of company and individual performance goals and other factors deemed relevant by our compensation committee. For additional information, see “Compensation Discussion and Analysis – Executive Compensation Elements – Annual Performance-Based Cash Compensation.”

(4) Amounts include \$6,000 received by each named executive officer as a company match under our 401(k) plan.

(5) The amount of salary that we paid to Dr. Baker in 2016 was lower than his base salary because Dr. Baker joined the company in February 2016.

(6) Amount represents a one-time new hire bonus in the amount of \$100,000 paid to Dr. Baker in February 2016 at the commencement of his employment.

(7) Dr. Sikorski transitioned from his position as Senior Vice President and Chief Medical Officer on March 18, 2017 to Senior Vice President, Special Projects.

(8) Amount includes mortgage assistance payments to Dr. Sikorski in the aggregate annual amount of \$72,000.

Grants of Plan -Based Awards

The following table sets forth information concerning each grant of an award made to a named executive officer during the fiscal year ended December 31, 2016 under any plan, contract, authorization or arrangement pursuant to which cash, securities, similar instruments or other property may be received.

Name	Award Type	Grant Date	Date of Compensation Committee or Board Approval	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards Target (1)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Stock Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$)	Grant Date Fair Value of Stock and Option Awards (\$) (2)
Lewis T. Williams, M.D., Ph.D.	Annual Cash	—	—	345,000	—	—	—	—
	Annual RSA	8/25/2016	8/25/2016	—	42,500 (3)	—	—	1,857,675
	Annual Option	8/25/2016	8/25/2016	—	—	180,000 (4)	43.71	4,910,616
Marc Belsky	Annual Cash	—	—	146,000	—	—	—	—
	Annual RSA	8/25/2016	8/25/2016	—	5,000 (3)	—	—	218,550
	Annual Option	8/25/2016	8/25/2016	—	—	30,000 (4)	43.71	818,436
Kevin Baker, Ph.D.	Annual Cash	—	—	117,833	—	—	—	—
	Initial RSA	2/1/2016	1/14/2016	—	75,000 (5)	—	—	2,664,750
	Initial Option	2/1/2016	1/14/2016	—	—	75,000 (6)	35.53	1,762,440
	Annual RSA	8/25/2016	8/25/2016	—	7,500 (3)	—	—	327,825
Aron M. Knickerbocker	Annual Cash	—	—	189,000	—	—	—	—
	Annual RSA	8/25/2016	8/25/2016	—	10,000 (3)	—	—	437,100
	Annual Option	8/25/2016	8/25/2016	—	—	60,000 (4)	43.71	1,636,872
	Promotion RSA	9/8/2016	9/8/2016	—	10,000 (7)	—	—	495,400
	Promotion Option	9/8/2016	9/8/2016	—	—	50,000 (8)	49.54	1,546,000
Robert Sikorski, M.D., Ph.D.	Annual Cash	—	—	153,653	—	—	—	—
	Promotion RSA	6/1/2016	5/27/2016	—	10,000 (9)	—	—	452,400
	Promotion Option	6/1/2016	5/27/2016	—	—	35,000 (10)	45.24	1,010,944
	Annual RSA	8/25/2016	8/25/2016	—	10,000 (3)	—	—	437,100
	Annual Option	8/25/2016	8/25/2016	—	—	60,000 (4)	43.71	1,636,872

- (1) This column sets forth the target annual performance bonus amount for each named executive officer for the year ended December 31, 2016. We do not establish thresholds or maximum annual performance bonus amounts for each individual named executive officer. Target bonuses were set as a percentage of each named executive officer's base salary compensation for the year ended December 31, 2016 and were 60%, 40%, 35%, 45% and 40% of 2016 base salary compensation for Dr. Williams, Mr. Belsky, Dr. Baker, Mr. Knickerbocker and Dr. Sikorski, respectively. These target bonus amounts were prorated with respect to Drs. Baker and Sikorski and Mr. Knickerbocker to account for changes in base salary over the course of 2016 and additionally with respect to Dr. Baker to account for the commencement of his employment in February 2016. The dollar value of the actual bonus award earned for the year ended December 31, 2016 for each named executive officer is set forth in the Summary Compensation Table above. As such, the amounts set forth in this column do not represent either additional or actual compensation earned by the named executive officers for the year ended December 31, 2016. For additional information, see "Compensation Discussion and Analysis – Executive Compensation Elements – Annual Performance-Based Cash Compensation."
- (2) Amounts reflect the grant date fair value of option awards granted in 2016 in accordance with ASC 718. For information regarding assumptions underlying the value of equity awards, see Note 2 to our financial statements and the discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Use of Estimates – Stock-Based Compensation," included in our Annual Report on Form 10-K. These amounts do not correspond to the actual value that the named executive officers will recognize.
- (3) On August 25, 2016, our compensation committee approved annual mid-year restricted stock awards to our executive officers.
- (4) On August 25, 2016, our compensation committee approved annual mid-year option grants to our executive officers.
- (5) On February 1, 2016, our compensation committee approved this restricted stock award to Dr. Baker in connection with the commencement of his employment with the company.

- (6) On February 1, 2016, our compensation committee approved this option grant to Dr. Baker in connection with the commencement of his employment with the company.
- (7) On September 8, 2016, our Board approved this restricted stock award to Mr. Knickerbocker in connection with Mr. Knickerbocker's promotion to Chief Operating Officer.
- (8) On September 8, 2016, our Board approved this option grant to Mr. Knickerbocker in connection with Mr. Knickerbocker's promotion to Chief Operating Officer.
- (9) On May 27, 2016, our compensation committee approved this restricted stock award to Dr. Sikorski in connection with Dr. Sikorski's promotion to Chief Medical Officer.
- (10) On May 27, 2016, our compensation committee approved this option grant to Dr. Sikorski in connection with Dr. Sikorski's promotion to Chief Medical Officer.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information regarding equity awards held by our named executive officers that were outstanding as of December 31, 2016.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#) (1)	Option Exercise Price (\$/Sh)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#) (1)	Market Value of Shares or Units of Stock that Have Not Vested (\$) (1)
Lewis T. Williams, M.D., Ph.D.	91,217	—	4.56	4/15/2019	—	—
	14,438	—	6.89	7/28/2020	—	—
	16,339	—	8.49	10/29/2021	—	—
	31,159	—	5.54	7/15/2022	—	—
	69,443	11,857 (2)	7.26	7/18/2023	—	—
	72,916	52,084 (2)	11.14	8/21/2024	—	—
	41,666	83,334 (2)	19.25	8/16/2025	—	—
	15,000	165,000 (2)	43.71	8/24/2026	—	—
	—	—	—	—	13,090 (3)	655,940
	—	—	—	—	37,500 (4)	1,879,125
Marc Belsky	—	—	—	—	25,000 (4)	1,252,750
	—	—	—	—	42,500 (5)	2,129,675
	509	—	5.54	7/15/2022	—	—
	2,710	2,372 (2)	7.26	7/18/2023	—	—
	5,111	12,500 (2)	11.14	8/21/2024	—	—
	11,948	30,000 (2)	19.25	8/16/2025	—	—
	2,500	27,500 (2)	43.71	8/24/2026	—	—
	—	—	—	—	5,680 (3)	284,625
	—	—	—	—	37,500 (4)	1,879,125
	—	—	—	—	5,000 (5)	250,550
Kevin Baker, Ph.D.	—	75,000 (6)	35.53	1/31/2026	—	—
	—	—	—	—	75,000 (7)	3,758,250
	—	—	—	—	7,500 (5)	375,825
Aron M. Knickerbocker	5,582	—	8.49	1/1/2022	—	—
	25,812	—	5.54	7/15/2022	—	—
	20,833	3,557 (2)	7.26	7/18/2023	—	—
	20,610	20,834 (2)	11.14	8/21/2024	—	—
	23,316	50,000 (2)	19.25	8/16/2025	—	—
	5,000	55,000 (2)	43.71	8/24/2026	—	—
	3,125	46,875 (2)	49.54	9/7/2026	—	—
	—	—	—	—	7,480 (3)	374,823
	—	—	—	—	37,500 (4)	1,879,125
	—	—	—	—	10,000 (5)	501,100
Robert Sikorski, M.D., Ph.D.	—	—	—	—	10,000 (5)	501,100
	45,000	35,000 (8)	11.92	9/17/2024	—	—
	6,666	13,334 (2)	19.25	8/16/2025	—	—
	4,375	30,625 (2)	45.24	5/31/2026	—	—
	5,000	55,000 (2)	43.71	8/24/2026	—	—
	—	—	—	—	10,000 (9)	501,100
	—	—	—	—	5,240 (3)	262,576
	—	—	—	—	37,500 (4)	1,879,125
	—	—	—	—	10,000 (10)	501,100
	—	—	—	—	10,000 (5)	501,100

(1) The market value of stock awards is based on the closing market price of our common stock of \$50.11 per share on December 31, 2016.

(2) The share subject to this option vest over four years in equal monthly installments.

(3) The shares subject to this grant vested in their entirety on January 3, 2017.

- (4) The shares subject to this grant vested in their entirety on March 1, 2017.
- (5) One-third of the shares subject to this grant vest on each of September 1, 2017, 2018 and 2019.
- (6) 25% of the shares subject to this grant vested on February 1, 2017 and the remainder vests over three years thereafter in equal monthly installments.
- (7) 50% of the shares subject to this grant vests on February 1, 2018 and the remainder vests on February 1, 2019.
- (8) 25% of the shares subject to this option vested on September 17, 2015 and the remainder vests over three years thereafter in equal monthly installments.
- (9) The shares subject to this grant vests on September 17, 2017.
- (10) One-third of the shares subject to this grant vests on each of June 1, 2017, 2018 and 2019.
- (11) For information on vesting acceleration of the equity awards described above upon a named executive officer's termination of employment, see the "Compensation Discussion and Analysis – Executive Compensation Elements – Severance and Change in Control Benefits" and "Potential Payments Upon Termination or Change in Control" sections in this proxy statement.

Option Exercises and Stock Vested

The following table sets forth information concerning option exercises and stock vested for each of our named executive officers during the fiscal year ended December 31, 2016.

Name	Options Award		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) (1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) (2)
Lewis T. Williams, M.D., Ph.D.	334,649	11,940,507	62,500	2,796,250 (2)
Marc Belsky	68,792	2,658,315	37,500	1,677,750 (2)
Kevin Baker, Ph.D.	—	—	—	—
Aron M. Knickerbocker (3)	—	—	37,500	1,677,750 (2)
Robert Sikorski, M.D., Ph.D.	—	—	47,500	2,185,650 (4)

- (1) The value realized when the stock options were exercised represents the excess of the fair market value of the shares at the time of the exercise over the exercise price of the stock options.
- (2) The value realized on vesting of the stock awards is based on the closing market price of our common stock of \$44.74 per share on September 1, 2016.
- (3) In addition to the information provided in the table above with respect to stock options exercised and stock awards vested, beneficial ownership of stock options covering 3,769 shares was transferred to Mr. Knickerbocker's former spouse pursuant to a domestic relations order in 2016. Mr. Knickerbocker did not realize a specific dollar amount upon this transfer, as the transfer was made in connection with a mutually agreed allocation of and release of claims with respect to marital property.
- (4) The value realized on vesting (i) with respect to 37,500 of the stock awards is based on the closing market price of our common stock of \$44.74 per share on September 1, 2016, and (ii) with respect to 10,000 of the stock awards is based on the closing market price of our common stock of \$50.79 per share on September 17, 2016.

Potential Payments Upon Termination or Change in Control

Payments After Giving Effect to Severance Plan . We have entered into severance agreements with each of our named executive officers. The severance agreements provide for certain severance benefits in the event of a termination of such named executive officer’s employment by us without cause or by such employee for “good reason,” as defined in the severance agreements, within three months prior to or 12 months following a change in control of the company. Accordingly, the following table sets forth potential payments upon termination and change in control that would be made to our named executive officers assuming that such termination or change in control occurred on December 31, 2016. In addition to the amounts shown in the table below, each executive would be entitled to receive payments for base salary and vacation time accrued through the date of termination and payment for any reimbursable business expenses incurred. For a further description of the current severance benefits applicable to our named executive officers, see the “Severance and Change in Control Benefits” section of this proxy statement.

Name	Benefit	Triggering Event	
		Termination Without a Change in Control (\$)	Termination Without “Cause” or Resignation for “Good Reason” Within 3 Months Prior to or 12 Months Following a Change in Control (\$)
Lewis T. Williams, M.D., Ph.D.	Severance Payment	575,000(1)	1,150,000(2)
	Bonus Payment	450,000(3)	900,000(4)
	Continuation of Benefits	30,401(5)	60,801(6)
	Market Value of Stock Vesting (7)	6,041,478	12,082,961
Marc Belsky	Severance Payment	273,750(8)	547,500(9)
	Bonus Payment	109,500(10)	219,000(11)
	Continuation of Benefits	15,914(12)	31,827(13)
	Market Value of Stock Vesting (7)	2,052,431	4,104,864
Kevin Baker, Ph.D.	Severance Payment	262,500(8)	525,000(9)
	Bonus Payment	88,375(10)	176,750(11)
	Continuation of Benefits	7,322(12)	14,645(13)
	Market Value of Stock Vesting (7)	2,613,787	5,227,575
Aron M. Knickerbocker	Severance Payment	315,000(8)	630,000(9)
	Bonus Payment	170,700(14)	341,400(15)
	Continuation of Benefits	13,527(12)	27,054(13)
	Market Value of Stock Vesting (7)	3,071,090	6,142,182
Robert Sikorski, M.D., Ph.D.	Severance Payment	315,000(8)	630,000(9)
	Bonus Payment	115,240(10)	230,480(11)
	Continuation of Benefits	22,801(12)	45,601(13)
	Market Value of Stock Vesting (7)	2,947,139	5,894,281

- (1) Represents 12 monthly payments of Dr. Williams’ monthly base salary from the time of termination.
- (2) Represents 24 monthly payments of Dr. Williams’ monthly base salary from the time of termination.
- (3) Represents 12 monthly pro-rata payments of a bonus amount equal to the average amount of the annual cash incentive bonuses paid to Dr. Williams for the three years preceding the date of such termination.
- (4) Represents 24 monthly pro-rata payments equal to the average amount of the annual cash incentive bonuses paid to Dr. Williams for the three years preceding the date of such termination.
- (5) Represents the cost of continued health and dental benefits. These benefits are payable until the earlier of 12 months following termination or the date Dr. Williams and his covered dependents become eligible for group health insurance through another employer.
- (6) Represents the cost of continued health and dental benefits. These benefits are payable until the earlier of 24 months following termination or the date Dr. Williams and his covered dependents become eligible for group health insurance through another employer.
- (7) These awards would become vested and the value of the acceleration would be equal to the number of shares multiplied by the excess of the then-current stock price over the exercise price of the options. For purposes of this table, we have calculated the value of the acceleration using the closing price of our common stock on December 31, 2016, or \$50.11 per share.

- (8) Represents nine monthly payments of such executive's monthly base salary from the time of termination.
- (9) Represents 18 monthly payments of such executive's monthly base salary from the time of termination.
- (10) Represents nine monthly pro-rata payments equal to such executive's target annual cash incentive bonus for 2016.
- (11) Represents 18 monthly pro-rata payments equal to such executive's target annual cash incentive bonus for 2016.
- (12) Represents the cost of continued health and dental benefits. These benefits are payable until the earlier of nine months following termination or the date the executive officer and his covered dependents become eligible for group health insurance through another employer.
- (13) Represents the cost of continued health and dental benefits. These benefits are payable until the earlier of 18 months following termination or the date the executive officer and his covered dependents become eligible for group health insurance through another employer.
- (14) Represents nine monthly pro-rata payments of a bonus amount equal to the average amount of the annual cash incentive bonuses paid to Mr. Knickerbocker for the three years preceding the date of such termination.
- (15) Represents 18 monthly pro-rata payments of a bonus amount equal to the average amount of the annual cash incentive bonuses paid to Mr. Knickerbocker for the three years preceding the date of such termination.

Equity Benefit Plans

For more information on our current equity compensation program and decisions regarding the grants of equity awards in 2016 for our named executive officers, see "Compensation Discussion and Analysis – Executive Compensation Elements – Annual Performance-Based Cash Compensation" and "Compensation Discussion and Analysis – Executive Compensation Elements – Long-Term Incentive Compensation." The following is a summary of the material terms of each of our equity compensation plans.

2013 Omnibus Incentive Plan and Prior Equity Plans

General . In June 2013, our Board adopted and in September 2013, our stockholders approved our 2013 Omnibus Incentive Plan, or the 2013 Plan, for the purpose of attracting and retaining non-employee directors, executive officers and other key employees and service providers, including officers, employees and service providers of our affiliates, and to stimulate their efforts toward our continued success, long-term growth and profitability. The 2013 Plan provides for the grant of stock options, stock appreciation rights, restricted stock, unrestricted stock, stock units, dividend equivalent rights, other equity-based awards and cash bonus awards. We also maintain the 2010 Equity Incentive Plan and 2002 Equity Incentive Plan, or the Prior Plans, which have been terminated and under which no future awards will be granted, but under which outstanding options have been granted. These options will continue to be governed by the terms of the applicable Prior Plan.

Authorized Shares . As of March 13, 2017, we had 1,602,693 shares of common stock reserved for issuance pursuant to the 2013 Plan. On January 1 of every year, the number of shares of common stock available for issuance under the 2013 Plan automatically increases by 4% of the total number of issued and outstanding shares of our common stock as of December 31 of the immediately preceding year. On January 1, 2017, the total number of shares available for issuance under the 2013 Plan increased by 1,142,000 shares pursuant to this provision. As of December 31, 2016, options to purchase 2,845,960 shares of our common stock were outstanding under the 2013 Plan, options to purchase 436,633 shares of our common stock were outstanding under the 2010 Equity Incentive Plan, and options to purchase 171,746 shares of our common stock were outstanding under the 2002 Equity Incentive Plan.

Change in Control . If we experience a change in control in which equity-based awards under the 2013 Plan that are not exercised prior to the change in control will not be assumed or continued by the surviving entity, unless otherwise provided in an award agreement: (i) all restricted shares will vest, and all stock units and dividend equivalents will vest and the underlying shares will be delivered immediately before the change in control, and (ii) at our Board's discretion, either all options and stock appreciation rights will become exercisable 15 days before the change in control and terminate upon the consummation of the change in control, or all options, stock appreciation rights, restricted shares and stock units may be cancelled before the change in control in exchange for payment of any amount in cash or securities having a value (as determined by our Board), in the case of restricted shares or stock units, equal to the formula or fixed price per share paid to our stockholders and, in the case of options and stock appreciation rights, equal to the product of the number of shares subject to the option or stock appreciation right multiplied by the amount by which the formula or fixed price paid to our stockholders exceeds the exercise price of the option or the stock appreciation right. In the case of performance shares and performance units,

however, if more than half of the performance period has lapsed, we will convert the performance shares based on actual performance to date. If less than half of the performance period has lapsed, or if we cannot determine actual performance, we will convert the performance shares and performance units assuming target performance has been achieved.

2013 Employee Stock Purchase Plan

General . In August 2013, our Board adopted and in September 2013, our stockholders approved a 2013 Employee Stock Purchase Plan, or the ESPP. The purpose of the ESPP is to enable our eligible employees, through payroll deductions or cash contributions, to purchase shares of our common stock, to increase our employees' interest in our growth and success and encourage employees to remain in our employment. Any of our employees may participate in the ESPP, except: (i) an employee whose customary employment is less than 20 hours per week; and (ii) an employee who, after exercising his or her rights to purchase common stock under the ESPP, would own shares of common stock (including shares that may be acquired under any outstanding options) representing 5% or more of the total combined voting power of all classes of our capital stock. An employee must be employed on the last trading day of the purchase period, or a purchase date, to acquire common stock under the ESPP unless the employee has retired, died or become disabled, been laid off, discharged without cause or is on an approved leave of absence.

Authorized Shares . As of March 13, 2017, we had 1,000,451 shares of common stock reserved for purchase by our eligible employees. In addition, the number of shares of common stock available for purchase by our eligible employees under the ESPP will automatically increase annually on January 1 until (and including) January 1, 2023 in an amount equal to the lesser of (i) 1% of the total number of issued and outstanding shares of our common stock as of December 31 of the immediately preceding year, or (ii) 300,000 shares of our common stock. Notwithstanding the foregoing, our Board may act prior to January 1 of any calendar year to provide that there shall be no increase in the share reserve for such calendar year or that the increase in the share reserve for such calendar year shall be a lesser number of shares of common stock than would otherwise occur pursuant to the preceding sentence. On January 1, 2017, the total number of shares of our common stock available for issuance under the ESPP increased by 285,500 shares pursuant to this provision.

DIRECTOR COMPENSATION

Cash and Equity Compensation

We maintain a non-employee director compensation policy. During the year ended December 31, 2016, from January until March 2016, our director compensation policy provided that each non-employee director would receive an annual base cash retainer of \$35,000. In addition, our non-employee directors would receive the following cash compensation for Board services, as applicable:

- the Chairman of the Board received an additional annual retainer of \$35,000;
- each member of our audit, compensation and nominating and corporate governance committees, other than the chairman, received an additional annual retainer of \$8,000, \$6,000 and \$4,000, respectively; and
- each chairman of our audit, compensation and nominating and corporate governance committees received an additional annual retainer of \$20,000, \$15,000 and \$9,500, respectively.

In addition, our newly appointed non-employee directors would receive a one-time initial award of options to purchase 25,000 shares of our common stock, which vests in equal annual installments over a three-year period, subject to each such director's continued service on our Board through each applicable vest date. Each of our continuing non-employee directors would receive an annual award of options to purchase 12,500 shares of our common stock, which vests in its entirety on the earlier to occur of (i) the one-year anniversary of the grant date and (ii) the day before the subsequent annual meeting of stockholders, subject to each such director's continued service on our Board through such vest date.

Effective March 2016, we amended our director compensation policy to provide that each non-employee director receives an annual base cash retainer of \$40,000. In addition, our non-employee directors receive the following cash compensation for Board services, as applicable:

- the Chairman of the Board receives an additional annual retainer of \$35,000;
- the Lead Independent Director receives an additional annual retainer of \$20,000;
- the chairman of our audit committee receives an additional annual retainer of \$20,000;
- each member of our audit committee, other than the chairman, receives an additional annual retainer of \$10,000;
- each chairman of our compensation, nominating and corporate governance and research and development committees receives an additional annual retainer of \$15,000; and
- each member of our compensation, nominating and corporate governance and research and development committees, other than the chairman, receives an additional annual retainer of \$7,500.

We pay all amounts in quarterly installments. We also reimburse each of our directors for their travel expenses incurred in connection with their attendance at Board and committee meetings.

In addition, our newly appointed non-employee directors receive a one-time initial award of options to purchase 15,000 shares of our common stock, which vests in equal annual installments over a three-year period, subject to each such director's continued service on our Board through each applicable vest date. Each of our continuing non-employee directors receives an annual award of options to purchase 10,000 shares of our common stock, which will vest in its entirety on the earlier to occur of (i) the one-year anniversary of the grant date and (ii) the day before the subsequent annual meeting of stockholders, subject to each such director's continued service on our Board through such vest date.

Director Compensation

The following table sets forth information concerning compensation accrued or paid to our independent, non-employee directors during the year ended December 31, 2016 for their service on our Board. Directors who are also our employees receive no additional compensation for their service as directors and are not set forth in the table below.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (1)(2)(4) (\$)	Total (\$)
Brian G. Atwood	23,125	—	23,125
Franklin M. Berger	69,500	260,478	329,978
Fred E. Cohen, M.D., D.Phil.	40,000	260,478	300,478
Kapil Dhingra, M.B.B.S.	55,417	260,478	315,895
R. Lee Douglas	50,000	260,478	310,478
Sheila Gujrathi, M.D.	58,750	260,478	319,228
Peder K. Jensen, M.D.	68,750	260,478	329,228
Mark D. McDade	68,042	469,635 ⁽³⁾	537,677
William Ringo	56,958	260,478	317,436

- (1) Amounts reflect the grant date fair value of option awards granted in 2016 in accordance with ASC 718. For information regarding assumptions underlying the value of equity awards, see Note 2 to our financial statements and the discussion under “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Use of Estimates – Stock-Based Compensation,” included in our Annual Report on Form 10-K. These amounts do not correspond to the actual value that the named directors will recognize.
- (2) On May 19, 2016, our Board granted an option to purchase 10,000 shares of our common stock to each director other than Mr. Atwood, who was not a director on such date. These shares underlying these options will vest in their entirety on May 9, 2017, subject to each such director’s continued service on our Board through such vest date.
- (3) On March 15, 2016, our Board granted an option to purchase 10,000 shares of our common stock to Mr. McDade in connection with Mr. McDade’s appointment as our Lead Independent Director. One-third of the shares underlying these options vest on each of March 15, 2017, 2018 and 2019.
- (4) The following table provides the total number of option shares outstanding for each director as of December 31, 2016.

Name	Options Outstanding (#)
Franklin M. Berger	22,500
Fred E. Cohen, M.D., D.Phil.	22,500
Kapil Dhingra, M.B.B.S.	35,000
R. Lee Douglas	45,975
Sheila Gujrathi, M.D.	35,000
Peder K. Jensen, M.D.	35,000
Mark D. McDade	66,544
William Ringo	45,000

- (1) Amount does not include options to purchase 10,976 shares of our common stock that Mr. Douglas’ ex-wife is entitled to exercise in her name pursuant to a domestic relations order. Mr. Douglas does not report as beneficially owned any such options.

Indemnification

We entered into indemnification agreements with each of our directors and executive officers. These indemnification agreements and our amended and restated certificate of incorporation and amended and restated bylaws provide for indemnification of each of our directors and executive officers to the fullest extent permitted by Delaware law.

TRANSACTIONS WITH RELATED PERSONS

Policies and Procedures Regarding Transactions with Related Persons

We have adopted a policy in which either (i) our audit committee (or any other committee of our Board consisting of independent directors), or (ii) the full Board reviews and approves all proposed related-person transactions. This review covers any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which we were or are to be a participant, the amount involved exceeds \$120,000, and a related person had or will have a direct or indirect material interest, including purchases of goods or services by or from a related person or entities in which the related person has a material interest, and indebtedness, guarantees of indebtedness and employment by us of a related person. A “related person” is any person who is or was one of our executive officers, directors or director nominees or is a holder of more than 5% of our common stock, or their immediate family members or any entity owned or controlled by any of the foregoing persons.

All of the transactions described below were entered into prior to the adoption of this policy and were approved by our Board.

Certain Related-Person Transactions

Since January 1, 2016 there were no transactions or series of similar transactions to which we were a party or will be a party, and in which:

- the amounts involved exceeded or will exceed \$120,000; and
- any of our directors, executive officers or holders of more than 5% of our capital stock, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest, other than compensation, termination and change of control arrangements with our named executive officers and directors, which are described where required under the sections of this proxy statement titled “Executive Compensation – Compensation Discussion and Analysis – Executive Compensation Elements – Severance and Change in Control Benefits,” “Executive Compensation – Compensation Discussion and Analysis – Employment Arrangements” and “Director Compensation – Cash and Equity Compensation.”

Other Transactions

We entered into various employment-related agreements and compensatory arrangements with our directors and executive officers that, among other things, provide for compensatory and certain severance and change of control benefits. For a description of these agreements and arrangements, see the sections of this proxy statement titled “Executive Compensation – Compensation Discussion and Analysis – Executive Compensation Elements – Severance and Change in Control Benefits,” “Executive Compensation – Compensation Discussion and Analysis – Employment Arrangements” and “Director Compensation – Cash and Equity Compensation.”

We entered into indemnification agreements with each of our current directors and executive officers. See the section of this proxy titled “Director Compensation – Indemnification.”

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of shares of our common stock as of March 13, 2017 by (i) each named executive officer, (ii) each director and nominee for director, (iii) all directors and executive officers as a group and (iv) each person, or group of affiliated persons, who is known by us to beneficially own more than 5% of our outstanding common stock. Other than as set forth in this table, we are not aware of any person or group that holds in excess of 5% of our outstanding common stock.

Information with respect to beneficial ownership is based on information furnished to us by each director, executive officer or stockholder who holds more than 5% of our outstanding common stock, and Schedules 13G or 13D filed with the SEC, as the case may be. Beneficial ownership is determined according to the rules of the SEC and generally means that a person has beneficial ownership of a security if he or she possesses sole or shared voting or investment power of that security, and includes options and warrants that are currently exercisable within 60 days of March 13, 2017. Options to purchase shares of our common stock that are exercisable within 60 days of March 13, 2017 are deemed to be beneficially owned by the persons holding these options for the purpose of computing percentage ownership of that person, but are not treated as outstanding for the purpose of computing any other person's ownership percentage. Except as indicated in the footnotes below, each of the beneficial owners named in the table below has, to our knowledge, sole voting and investment power with respect to all shares of common stock listed as beneficially owned by him or her, except for shares owned jointly with that person's spouse.

We have based our calculation of beneficial ownership on 28,767,170 shares of our common stock outstanding as of March 13, 2017.

Unless otherwise indicated, the address for each of the stockholders in the table below is c/o Five Prime Therapeutics, Inc., Two Corporate Drive, South San Francisco, California 94080.

<u>Name and Address of Beneficial Owner</u>	<u>Amount & Nature of Beneficial Ownership</u>	<u>Percent of Class (Common Stock)</u>
5% Stockholders:		
Entities affiliated with FMR LLC (1)	4,266,239	14.8%
Entities affiliated with Wellington Management Group LLP (2)	2,391,872	8.3%
Entities affiliated with The Vanguard Group, Inc. (3)	2,182,845	7.6%
Entities affiliated with BlackRock, Inc. (4)	2,166,548	7.5%
Entities affiliated with Adage Capital Partners, L.P. (5)	1,900,000	6.6%
Named Executive Officers and Directors:		
Lewis T. Williams, M.D., Ph.D. (6)	790,467	2.7%
Marc Belsky (7)	93,729	*
Aron M. Knickerbocker (8)	293,996	1.0%
Kevin Baker, Ph.D. (9)	120,417	*
Robert Sikorski, M.D., Ph.D. (10)	184,051	*
Franklin M. Berger (11)	107,480	*
Fred E. Cohen, M.D., D.Phil. (12)	47,307	*
Kapil Dhingra, M.B.B.S. (13)	18,333	*
Robert L. Douglas (14)	62,908	*
Sheila Gujrathi, M.D. (13)	18,333	*
Peder K. Jensen, M.D. (13)	35,000	*
Mark D. McDade (15)	72,478	*
William Ringo (13)	35,166	*
All executive officers and directors as a group (13 persons)	1,879,665	6.5%

* Represents beneficial ownership of less than 1% of our outstanding common stock.

(1) Consists of 4,266,239 shares of common stock held by clients of one or more of the following investment advisors directly or indirectly owned by FMR LLC: FIAM LLC; FMR Co., Inc.; and Strategic Advisers, Inc. FMR LLC has sole voting power over 561,980 shares of common stock and sole dispositive power over

4,266,239 shares of common stock. FMR LLC, as the direct or indirect owner of each of FIAM LLC, FMR Co., Inc., and Strategic Advisers, Inc. may be deemed to beneficially own the shares held by each of FIAM LLC, FMR Co., Inc., and Strategic Advisers, Inc. Members of the family of Abigail P. Johnson, Director, Chairman and Chief Executive Officer of FMR LLC, including Abigail P. Johnson, collectively, the Johnson Family, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC, and may be deemed to beneficially own the shares beneficially held by FMR LLC. The Johnson Family disclaims beneficial ownership of the shares beneficially owned by FMR LLC, except to the extent of its actual pecuniary interests therein. Each of FMR LLC and the Johnson Family disclaims beneficial ownership of the shares beneficially held by clients of any of FIAM LLC, FMR Co., Inc., or Strategic Advisers, Inc., except to the extent of their respective actual pecuniary interests therein. The address for FMR LLC is 245 Summer Street, Boston, Massachusetts 02210. All information included in this footnote regarding the beneficial ownership of FMR LLC, FIAM LLC, FMR Co., Inc., Strategic Advisers, Inc. and the Johnson Family is based on our review of Amendment No. 1 to Schedule 13G filed with the SEC by FMR LLC on February 14, 2017 regarding its beneficial ownership of our common stock as of December 31, 2016.

- (2) Consists of 2,391,872 shares of common stock held by clients of one or more of certain investment advisors directly or indirectly owned by Wellington Management Group LLP. (i) Each of Wellington Management Group LLP, Wellington Group Holdings LLP and Wellington Investment Advisors Holdings LLP has shared voting power over 2,153,575 shares of common stock and shared dispositive power over 2,391,872 shares of common stock and (ii) Wellington Management Company LLP has shared voting power over 2,153,575 shares of common stock and shared dispositive power over 2,280,218 shares of common stock. Each of Wellington Management Group LLP, Wellington Group Holdings LLP, Wellington Investment Advisors Holdings LLP and Wellington Management Company LLP disclaims beneficial ownership of the shares beneficially held by clients of any of the investment advisors directly or indirectly owned by Wellington Management Group LLP, except to the extent of their respective actual pecuniary interests therein. The address for the Wellington Management Group LLP, Wellington Group Holdings LLP, Wellington Investment Advisors Holdings LLP and Wellington Management Company LLP, collectively, Wellington, is c/o Wellington Management Company LLP, 280 Congress Street, Boston, Massachusetts 02210. All information included in this footnote regarding the beneficial ownership of Wellington is based on our review of Amendment No. 5 to Schedule 13G filed with the SEC by Wellington on February 9, 2017 regarding its beneficial ownership of our common stock as of December 30, 2016.
- (3) Consists of 2,182,845 shares of common stock held by clients of one or more of certain investment advisors directly or indirectly owned by The Vanguard Group, Inc., or Vanguard. Vanguard has sole voting and dispositive power over 2,145,156 shares of common stock, shared voting power over 1,500 shares of common stock and shared dispositive power over 37,689 shares of common stock. (i) Vanguard Fiduciary Trust Company, or VFTC, a wholly-owned subsidiary of Vanguard, is the beneficial owner of 36,189 shares of common stock as an investment manager of collective trust accounts, and (ii) Vanguard Investments Australia, Ltd, or VIA, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 2,987 shares of common stock as an investment manager of Australian investment offerings. Vanguard disclaims beneficial ownership of the shares beneficially held by either of VFTC or VIA, except to the extent of its actual pecuniary interests therein. Each of Vanguard, VFTC and VIA disclaims beneficial ownership of the shares beneficially held by clients of any of Vanguard, VFTC or VIA, except to the extent of their respective actual pecuniary interests therein. The address for Vanguard is 100 Vanguard Boulevard, Malvern, Pennsylvania, 19355. All information included in this footnote regarding the beneficial ownership of Vanguard, VFTC and VIA is based on our review of Schedule 13G filed with the SEC by Vanguard on February 13, 2017 regarding its beneficial ownership of our common stock as of December 31, 2016.
- (4) Consists of 2,166,548 shares of common stock held by clients of one or more of the following investment advisors directly or indirectly owned by BlackRock, Inc.: BlackRock (Netherlands) B.V.; BlackRock Advisors, LLC; BlackRock Asset Management Canada Limited; BlackRock Asset Management Ireland Limited; BlackRock Asset Management Schweiz AG; BlackRock Financial Management, Inc.; BlackRock Fund Advisors; BlackRock Institutional Trust Company, N.A.; BlackRock International Limited; BlackRock Investment Management (Australia) Limited; BlackRock Investment Management (UK) Ltd; BlackRock Investment Management, LLC; and BlackRock Japan Co Ltd, or collectively, the BlackRock Entities. BlackRock, Inc. has sole voting power over 2,105,369 shares of common stock and sole dispositive power over 2,166,548 shares of common stock. BlackRock, Inc. and each of the BlackRock Entities disclaims beneficial ownership of the shares beneficially held by clients of any of the BlackRock Entities, except to the

extent of their respective actual pecuniary interests therein. The address for BlackRock, Inc. is 55 East 52nd Street, New York, New York 10055. All information included in this footnote regarding the beneficial ownership of BlackRock, Inc. and the BlackRock Entities is based on our review of Amendment No. 2 to Schedule 13G filed with the SEC by BlackRock, Inc. on January 24, 2017 regarding its beneficial ownership of our common stock as of December 31, 2016.

- (5) Consists of 1,900,000 shares of common stock held by Adage Capital Partners, L.P., or ACP. Adage Capital Partners GP, L.L.C., or ACP GP, as the general partner of ACP, may be deemed to beneficially own the shares held by ACP. Adage Capital Advisors, L.L.C., or ACA, as the managing member of ACP GP, may be deemed to beneficially own the shares beneficially held by ACP GP. Robert Atchinson and Phillip Gross, as managing members of ACA, may each be deemed to beneficially own the shares beneficially owned by ACA. Each of ACA, ACP GP and Messrs. Atchinson and Gross disclaims beneficial ownership of the shares held by ACP, except to the extent of their respective actual pecuniary interests therein. The address for ACP and its affiliated entities and Messrs. Atchinson and Gross is 200 Clarendon Street, 52nd Floor, Boston, Massachusetts 02116. All information included in this footnote regarding the beneficial ownership of ACP, ACP GP, ACA and Messrs. Atchinson and Gross is based on our review of Amendment No. 3 to Schedule 13G filed with the SEC by ACP, ACP GP, ACA and Messrs. Atchinson and Gross on February 9, 2017 regarding their beneficial ownership of our common stock as of December 31, 2016.
- (6) Consists of (a) 389,354 shares of common stock and (b) 401,113 shares of common stock issuable upon the exercise of stock options within 60 days of March 13, 2017.
- (7) Consists of (a) 12,656 shares of common stock, (b) 46,785 shares of common stock held by the Belsky Living Trust and (c) 34,288 shares of common stock issuable upon the exercise of stock options within 60 days of March 13, 2017.
- (8) Consists of (a) 170,351 shares of common stock and (b) 123,645.5 shares of common stock issuable upon the exercise of stock options within 60 days of March 13, 2017.
- (9) Consists of (a) 95,420 shares of common stock and (b) 24,997 shares of common stock issuable upon the exercise of stock options within 60 days of March 13, 2017.
- (10) Consists of (a) 104,158 shares of common stock and (b) 79,893 shares of common stock issuable upon the exercise of stock options within 60 days of March 13, 2017.
- (11) Consists of (a) 84,980 shares of common stock and (b) 22,500 shares of common stock issuable upon the exercise of stock options within 60 days of March 13, 2017.
- (12) Consists of (a) 24,807 shares of common stock and (b) 22,500 shares of common stock issuable upon the exercise of stock options within 60 days of March 13, 2017.
- (13) Consists solely of shares of common stock issuable upon the exercise of stock options within 60 days of March 13, 2017.
- (14) Consists of (a) 1,219.5 shares of common stock, (b) 15,642 shares of common stock held by The Robert Lee Douglas Rev Trust dtd 04/30/2015 and (c) 46,046.96 shares of common stock issuable upon the exercise of stock options within 60 days of March 13, 2017.
- (15) Consists of (a) 12,601 shares of common stock and (b) 59,877 shares of common stock issuable upon the exercise of stock options within 60 days of March 13, 2017.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who own more than 10% of our common stock to report to the SEC their initial ownership of our common stock and any subsequent changes in that ownership. The SEC has established specific due dates for these reports and we are required to disclose in this proxy statement any late filings or failures to file.

Based solely on our review of the copies of such reports furnished to us and written representations from reporting persons that no other reports were required during the fiscal year ended December 31, 2016, we believe that, during the 2016 fiscal year, all of our directors and executive officers complied with all Section 16(a) filing requirements applicable to them.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth the aggregate information of our equity compensation plans in effect as of December 31, 2016.

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u> (a)	<u>Weighted-average exercise price of outstanding options, warrants and rights</u> (\$) (b)	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u> (c)
Equity compensation plans approved by stockholders:			
2002 Equity Incentive Plan (1)	171,746	5.10	—
2010 Equity Incentive Plan (1)	436,633	6.85	—
2013 Omnibus Incentive Plan	2,845,960	31.17	1,340,666
2013 Employee Stock Purchase Plan	—	—	714,951
Equity compensation plans not approved by stockholders	—	—	—
Total	3,454,339	26.80	2,055,617

(1) The 2002 Equity Incentive Plan and the 2010 Equity Incentive Plan were terminated in 2013, and any shares remaining available for future grants and option forfeitures under such plans have been allocated to the 2013 Omnibus Incentive Plan.

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as “householding,” potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are our stockholders will be “householding” our Proxy Materials. A single set of Proxy Materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be “householding” communications to your address, “householding” will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in “householding” and would prefer to receive a separate set of Proxy Materials, please notify your broker.

You may also request an additional proxy statement and annual report by sending a written request to:

Five Prime Therapeutics, Inc.
Attn: Francis W. Sarena, Secretary
Two Corporate Drive
South San Francisco, California 94080
(415) 365-5600

Stockholders who currently receive multiple copies of the proxy statement at their addresses and would like to request “householding” of their communications should contact their brokers.

OTHER MATTERS

We know of no other business that will be presented for consideration at the Annual Meeting other than as stated in the Notice of Annual Meeting of Stockholders. If, however, other matters are properly brought before the Annual Meeting, it is the intention of the persons named as proxies in the proxy card or voter instruction form, as applicable, to vote the shares represented thereby in accordance with the recommendation of our Board.

By Order of the Board of Directors,

A handwritten signature in black ink, appearing to read "Francis W. Sarena", enclosed within a circular scribble.

Francis W. Sarena
Chief Strategy Officer and Secretary

South San Francisco, California
March 31, 2017

FIVE PRIME THERAPEUTICS, INC.
TWO CORPORATE DRIVE
SOUTH SAN FRANCISCO, CA 94080

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time on May 9, 2017. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in making proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time on May 9, 2017. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

E21328-P8-4540

KEEP THIS PORTION FOR YOUR RECORDS
 DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

FIVE PRIME THERAPEUTICS, INC.			
The Board of Directors recommends you vote FOR the following:			
1. Election of Directors	For	Withhold	
Nominees:			
1a. Kapil Dhingra, M.B.B.S.	<input type="checkbox"/>	<input type="checkbox"/>	
1b. Mark D. McDade	<input type="checkbox"/>	<input type="checkbox"/>	
The Board of Directors recommends you vote FOR the following proposal:			
2. To approve, on an advisory basis, the compensation of the named executive officers as disclosed in the proxy statement.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Board of Directors recommends you vote for every THREE YEARS regarding the following proposal:			
3. To recommend, on an advisory basis, the frequency of the advisory vote to approve the compensation paid to our named executive officers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Board of Directors recommends you vote FOR the following proposal:			
4. To ratify the appointment of Ernst & Young LLP as independent registered public accounting firm for the fiscal year ending December 31, 2017.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
NOTE: Such other business as may properly come before the meeting or any adjournment thereof.			
Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.			
<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>
Signature (PLEASE SIGN WITHIN BOX)	Date	Signature (Joint Owners)	Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:
The Notice and Proxy Statement and Form 10-K are available at www.proxyvote.com.

E21329-P84540

**FIVE PRIME THERAPEUTICS, INC.
Annual Meeting of Stockholders
May 10, 2017 8:30 AM
This proxy is solicited by the Board of Directors**

The stockholder hereby appoints Lewis T. Williams and Marc L. Belsky, or either of them, as proxies, each with the power to appoint their substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of common stock of FIVE PRIME THERAPEUTICS, INC. that the stockholder is entitled to vote at the Annual Meeting of Stockholders to be held at 8:30 AM PDT on May 10, 2017, at Five Prime Therapeutics, Inc., Two Corporate Drive, South San Francisco, CA 94080, and any adjournment or postponement thereof.

This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted FOR Items 1, 2 and 4, and THREE YEARS for Item 3, in accordance with the Board of Directors' recommendations.

Continued and to be signed on reverse side

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