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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended March 31, 2014

or

☐ **TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from _____ to _____

Commission File Number: 001-36070

Five Prime Therapeutics, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**26-0038620**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

Two Corporate Drive
South San Francisco, California 94080
(415) 365-5600
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2) Yes ☐ No ☒

As of May 5, 2014, the number of outstanding shares of the registrant's common stock was 21,438,386.

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In this report, unless otherwise stated or the context otherwise indicates, references to "Five Prime," "the company," "we," "us," "our" and similar references refer to Five Prime Therapeutics, Inc. The Five Prime logo and RIPPS® are our registered trademarks. This report also contains registered marks, trademarks and trade names of other companies. All other trademarks, registered marks and trade names appearing in this report are the property of their respective holders.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This Quarterly Report on Form 10-Q contains forward-looking statements. In some cases you can identify these statements by forward-looking words such as "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "could," "would," "project," "plan," "expect," or similar expressions, or the negative or plural of these words or expressions. These forward-looking statements include statements concerning the following:

- our estimates regarding our expenses, revenues, anticipated capital requirements and our needs for additional financing;
- our or our partners' ability to advance drug candidates into, and successfully complete, clinical trials alone or in combination with other drugs;
- the frequency of *FGFR1* gene amplification in various patient populations;
- the timing of the initiation, progress and results of preclinical studies and research and development programs;
- our expectations regarding the potential safety, efficacy or clinical utility of our product candidates;
- the implementation, timing and likelihood of success of our plans to develop companion diagnostics for our product candidates;
- our ability to maintain and establish collaborations;
- the implementation of our business model, strategic plans for our business, drug candidates and technology;
- the scope of protection we establish and maintain for intellectual property rights covering our drug candidates and technology;
- the size of patient populations targeted by products we or our partners develop and market adoption of our potential products by physicians and patients;
- the timing or likelihood of regulatory filings and approvals;
- developments relating to our competitors and our industry; and
- our expectations regarding licensing, acquisitions and strategic operations.

These statements are only current predictions and are subject to known and unknown risks, uncertainties, and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from those anticipated by the forward-looking statements. We discuss many of these risks in this report in greater detail under the heading "Risk Factors" and elsewhere in this report. You should not rely upon forward-looking statements as predictions of future events.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Except as required by law, we are under no duty to update or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this report.

We obtained the industry, market and competitive position data in this quarterly report from our own internal estimates and research as well as from industry and general publications and research surveys and studies conducted by third parties. While we believe that each of these studies and publications is reliable, we have not independently verified market and industry data from third-party sources. While we believe our internal company research is reliable and the market definitions we use are appropriate, neither such research nor these definitions have been verified by any independent source.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FIVE PRIME THERAPEUTICS, INC.

Condensed Balance Sheets
(In thousands)

	MARCH 31, 2014	DECEMBER 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 11,680	$ 8,161
Marketable securities	117,250	67,561
Receivable from collaborative partners	20,120	296
Prepaid and other current assets	1,154	1,640
Total current assets	150,204	77,658
Property and equipment, net	3,649	3,744
Other long-term assets	453	389
Total assets	$ 154,306	$ 81,791
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 347	$ 348
Accrued personnel-related expenses	1,765	2,957
Other accrued liabilities	3,210	2,056
Deferred revenue, current portion	10,983	7,913
Deferred rent, current portion	569	549
Total current liabilities	16,874	13,823
Deferred revenue, long-term portion	25,503	7,123
Deferred rent, long-term portion	1,988	2,146
Other long-term liabilities	617	673
Commitments		
Stockholders' equity:		
Common stock	21	17
Preferred stock	—	—
Additional paid-in capital	269,502	209,580
Accumulated other comprehensive income	19	3
Accumulated deficit	(160,218)	(151,574)
Total stockholders' equity	109,324	58,026
Total liabilities and stockholders' equity	$ 154,306	$ 81,791

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

FIVE PRIME THERAPEUTICS, INC.

Condensed Statements of Operations
(In thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2014	2013
Collaboration revenue	$ 3,546	$ 2,975
Operating expenses:		
Research and development	8,926	7,930
General and administrative	3,280	2,392
Total operating expenses	12,206	10,322
Loss from operations	(8,660)	(7,347)
Interest income	36	15
Other income (expense), net	(20)	285
Net loss	$ (8,644)	$ (7,047)
Basic and diluted net loss per common share	$ (0.46)	$ (5.73)
Shares used to compute basic and diluted net loss per common share	18,841	1,229

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

FIVE PRIME THERAPEUTICS, INC.

Condensed Statements of Comprehensive Loss
(In thousands)

	Three Months Ended March 31,	
	2014	2013
Net loss	$ (8,644)	$ (7,047)
Other comprehensive loss:		
Net unrealized gain (loss) on marketable securities	16	(2)
Comprehensive loss	$ (8,628)	$ (7,049)

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

FIVE PRIME THERAPEUTICS, INC.

Condensed Statement of Cash Flows
(In thousands)

	THREE MONTHS ENDED MARCH 31,	
	2014	2013
	(Unaudited)	
Operating activities		
Net loss	$ (8,644)	$ (7,047)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	391	425
Stock-based compensation expense	636	624
Amortization of premium on marketable securities	211	102
Revaluation of preferred stock warrant liability	—	(285)
Changes in operating assets and liabilities:		
Receivable from collaborative partners	9	370
Prepaid, other current assets, and other long-term assets	59	(2)
Accounts payable	(1)	(374)
Accrued personnel-related expenses	(1,192)	(1,085)
Deferred revenue	1,617	6,444
Deferred rent	(138)	63
Other accrued liabilities and other long-term liabilities	1,461	644
Net cash used in operating activities	(5,591)	(121)
Investing activities		
Purchases of marketable securities	(68,384)	(3,006)
Maturities of marketable securities	18,500	9,875
Purchases of property and equipment	(296)	(293)
Net cash (used in) provided by investing activities	(50,180)	6,576
Financing activities		
Proceeds from public offering of common stock, net	40,104	—
Proceeds from the sale of common stock to collaborative partner	18,639	—
Proceeds from exercise of stock options	547	16
Payments under capital lease obligation	—	(4)
Net cash provided by financing activities	59,290	12
Net increase in cash and cash equivalents	3,519	6,467
Cash and cash equivalents at beginning of period	8,161	11,391
Cash and cash equivalents at end of period	$ 11,680	$17,858

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

FIVE PRIME THERAPEUTICS, INC.

Notes to Condensed Financial Statements
March 31, 2014

1. Description of Business

Five Prime Therapeutics, Inc. (we, us, our, or the Company) is a clinical-stage biotechnology company focused on discovering and developing novel protein therapeutics. Protein therapeutics are antibodies or drugs developed from extracellular proteins or protein fragments that block disease processes, including cancer and inflammatory diseases. We were incorporated in December 2001 in Delaware. Our operations are based in South San Francisco, California and we operate in one segment.

Unaudited Interim Financial Information

The accompanying financial information as of March 31, 2014 is unaudited. The Condensed Financial Statements included in this report reflect all adjustments (consisting only of normal recurring adjustments) that our management considers necessary for the fair statement of the results of operations for the interim periods covered and of the financial condition of the Company at the date of the interim balance sheet. The December 31, 2013 Condensed Balance Sheet was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America, or GAAP. The results for interim periods are not necessarily indicative of the results for the entire year or any other interim period. The accompanying Condensed Financial Statements and related financial information should be read in conjunction with the audited financial statements and the related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 filed with the U.S. Securities and Exchange Commission.

Follow-on Public Offering

In February 2014, we completed a public offering of 3,450,000 shares of our common stock, or our Follow-on Public Offering, which included shares we issued pursuant to our underwriters' exercise of their over-allotment option. We received net proceeds of $40.1 million, after underwriting discounts, commissions and estimated offering expenses, from the Follow-on Public Offering.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements as well as reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

Reclassifications

We have reclassified certain prior period amounts to conform to the current period presentation. We reclassified certain liabilities, primarily those related to unbilled receipts, from accounts payable to other accrued liabilities on the balance sheets, and made related conforming reclassifications on the statement of cash flows.

Fair Value of Financial Instruments

We determine the fair value of financial and nonfinancial assets and liabilities using the fair value hierarchy, which describes three levels of inputs that may be used to measure fair value, as follows:

Level 1—Quoted prices in active markets for identical assets or liabilities;

Level 2—Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

We determine the fair value of Level 1 assets using quoted prices in active markets for identical assets. We review trading activity and pricing for Level 2 investments as of each measurement date. Level 2 inputs, obtained from various third-party data providers, represent quoted prices for similar assets in active markets, were derived from observable market data, or, if not directly observable, were derived from or corroborated by other observable market data.

FIVE PRIME THERAPEUTICS, INC.

Notes to Condensed Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

In certain cases where there is limited activity or less transparency around inputs to valuation, we classify securities as Level 3 within the valuation hierarchy. As of March 31, 2013, our Level 3 liability consists of a preferred stock warrant liability that we measured at estimated fair value.

The following table summarizes, for assets and the liability recorded at fair value, the respective fair values and the classifications by level of input within the fair value hierarchy defined above (in thousands):

	MARCH 31, 2014			
		BASIS OF FAIR VALUE MEASUREMENTS		
	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Assets				
Money market funds	$ 8,533	$ 8,533	$ —	$ —
U.S. Treasury securities	82,876	82,876	—	—
U.S. government agency securities	34,374	—	34,374	—
Total cash equivalents and marketable securities	$125,783	$91,409	$34,374	$ —

	DECEMBER 31, 2013			
		BASIS OF FAIR VALUE MEASUREMENTS		
	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Assets				
Money market funds	$ 6,456	$ 6,456	$ —	$ —
U.S. Treasury securities	18,852	18,852	—	—
U.S. government agency securities	48,709	—	48,709	—
Total cash equivalents and marketable securities	$ 74,017	$25,308	$48,709	$ —

Prior to our initial public offering in September 2013, or our IPO, we had outstanding warrants which we classified as a liability and remeasured to fair value each reporting period. We measured the estimated fair value of the preferred stock warrant liability using the Black-Scholes option-pricing model. Inputs used to determine estimated fair value include the estimated fair value of the underlying stock at the valuation measurement date, the remaining contractual term of the warrants, risk-free interest rates, expected dividends, and the expected volatility of the price of the underlying stock. In connection with the completion of our IPO in September 2013, substantially all of the warrants were automatically net exercised for a total of 4,376 shares of common stock, pursuant to the terms of the warrants.

FIVE PRIME THERAPEUTICS, INC.

Notes to Condensed Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

The change in the estimated fair value of the preferred stock warrant liability is summarized below (in thousands):

	THREE MONTHS ENDED MARCH 31, 2013
Balance, beginning	$ 563
Change in fair value recorded in other income, net	(285)
Balance, ending	$ 278

As of March 31, 2013, the fair value of the above warrants was determined using the following assumptions:

Risk-free interest rate	0.1-0.2%
Estimated term (years)	1.9
Volatility	85.0%

Net Loss Per Share of Common Stock

We compute basic net loss per common share dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period. We did not include potentially dilutive securities consisting of stock options, the preferred stock warrants, the common stock warrant and convertible preferred stock in the diluted net loss per common share calculations for all periods presented, because the inclusion of such shares would have had an antidilutive effect. The convertible preferred stock contains certain participation rights.

For the three months ended March 31, 2014 and 2013, respectively, we excluded the following securities from the calculation of diluted net loss per share as the effect would have been antidilutive (in thousands):

	MARCH 31,	
	2014	2013
Convertible preferred stock	—	9,929
Options to purchase common stock	2,213	2,638
Warrants to purchase convertible preferred stock	—	84
	2,213	12,651

FIVE PRIME THERAPEUTICS, INC.

Notes to Condensed Financial Statements (continued)

3. Cash Equivalents and Marketable Securities

The following is a summary of our cash equivalents and marketable securities (in thousands):

	MARCH 31, 2014			
	AMORTIZED COST BASIS	UNREALIZED GAINS	UNREALIZED LOSSES	ESTIMATED FAIR VALUE
	(unaudited)			
Money market funds	$ 8,533	$ —	$ —	$ 8,533
U.S. Treasury securities	82,862	15	(1)	82,876
U.S. government agency securities	34,369	7	(2)	34,374
	125,764	22	(3)	125,783
Less: cash equivalents	(8,533)	—	—	(8,533)
Total marketable securities	$ 117,231	$ 22	$ (3)	$ 117,250

	DECEMBER 31, 2013			
	AMORTIZED COST BASIS	UNREALIZED GAINS	UNREALIZED LOSSES	ESTIMATED FAIR VALUE
Money market funds	$ 6,456	$ —	$ —	$ 6,456
U.S. Treasury securities	18,848	4	—	18,852
U.S. government agency securities	48,709	3	(3)	48,709
	74,013	7	(3)	74,017
Less: cash equivalents	(6,456)	—	—	(6,456)
Total marketable securities	$ 67,557	$ 7	$ (3)	$ 67,561

As of March 31, 2014, the amortized cost and estimated fair value of our available-for-sale securities by contractual maturity are shown below (in thousands):

	Amortized Cost	Estimated Fair Value
Debt securities maturing:		
In one year or less	$ 95,121	$ 95,131
In one to two years	30,643	30,652
Total marketable securities	$125,764	$125,783

We determined that the gross unrealized losses of $3,000 on our marketable securities as of March 31, 2014 were temporary in nature. We currently do not intend to sell these securities prior to maturity and do not consider these investments to be other-than-temporarily impaired at March 31, 2014. There were no sales of available-for-sale securities in any of the periods presented.

FIVE PRIME THERAPEUTICS, INC.

Notes to Condensed Financial Statements (continued)

4. Equity Incentive Plans

The following table summarizes option activity under our stock plans and related information:

	OPTIONS OUTSTANDING	
	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE PER SHARE
Balance at December 31, 2013	2,236,997	$ 6.09
Options granted	8,520	$ 14.36
Options exercised	(133,348)	$ 5.26
Options forfeited	(17,897)	$ 7.20
Balance at March 31, 2014	2,094,272	$ 6.17
Options exercisable	1,254,272	$ 5.63

As of March 31, 2014, there were 4,149,532 shares available for future issuance under our 2013 Omnibus Incentive Plan.

As of March 31, 2014, options to purchase 2,069,087 shares of common stock were outstanding, which are fully vested or expected to vest with a weighted-average exercise price of $6.16 per share and a weighted-average remaining contractual term of 7.1 years. As of March 31, 2014, the weighted-average remaining contractual term for options exercisable was 6.2 years.

Stock-Based Compensation

We calculated employee stock-based compensation expense based on awards ultimately expected to vest reduced by estimated forfeitures. We estimate forfeitures at the time of grant and revise forfeitures, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Total stock-based compensation expense recognized was as follows (in thousands):

	Three Months Ended March 31,	
	2014	2013
Research and development	$ 360	$ 212
General and administrative	276	412
Total	$ 636	$ 624

In February 2013, we amended stock options held by our former CEO to extend the post-termination exercise period for the former CEO's outstanding vested options from 18 months to 20 months, which resulted in additional incremental stock-based compensation of $157,000 in the first quarter of 2013.

FIVE PRIME THERAPEUTICS, INC.

Notes to Condensed Financial Statements (continued)

4. Equity Incentive Plans (continued)

We estimated the fair value of each stock option using the Black-Scholes option-pricing model based on the date of grant of such stock option with the following assumptions:

	Three Months Ended March 31,	
	2014	2013
Expected term (years)	6.1	5.0-6.1
Expected volatility	85%	85%
Risk-free interest rate	1.8%	0.8-1.1%
Expected dividend yield	0%	0%

As of March 31, 2014, we had $3.7 million of total unrecognized compensation expense related to nonvested employee and director stock options that we expect to recognize over a weighted-average period of 2.6 years.

5. Collaborative Research and Development Agreements

Bristol-Myers Squibb Company

On March 14, 2014, we entered into a research collaboration and license agreement, or immuno-oncology collaboration, with Bristol-Myers Squibb Company, or BMS, to carry out a research program to (i) discover novel interacting proteins in two undisclosed immune checkpoint pathways, which we refer to as the checkpoint pathways, using our target discovery platform; (ii) further the understanding of target biology with respect to targets in these checkpoint pathways; and (iii) discover and pre-clinically develop compounds suitable for development for human therapeutic uses against targets in these checkpoint pathways. Under the immuno-oncology collaboration, we granted BMS an exclusive, worldwide license to research, develop and commercialize products directed towards certain targets in the checkpoint pathways. BMS will have an option to take exclusive licenses to additional targets we may identify in these checkpoint pathways during the course of the immuno-oncology collaboration. We received an upfront payment of $20.0 million from BMS in April 2014 in connection with our entry into the immuno-oncology collaboration and expect to receive $9.5 million in research funding over the course of the three-year research term based on the research activities currently planned under the research plan. BMS may extend the research term for two additional one-year periods on a year-by-year basis, during which extensions we would be obligated to perform additional services as agreed to with BMS and BMS would be obligated to pay us research funding with respect to such services.

We applied the Financial Accounting Standards Board Accounting Standards Update, or ASU, No. 2009-13, *Multiple-Deliverable Revenue Arrangements*, in evaluating the appropriate accounting for the immuno-oncology collaboration. In accordance with this guidance, we concluded that we should account for the immuno-oncology collaboration as a single unit of accounting and recognize the immuno-oncology collaboration consideration in the same manner as the final deliverable, which is research service. The $20.0 million upfront payment was recorded as deferred revenue and is being recognized over the five-year research period under the collaboration. In addition, BMS agreed to pay us $9.5 million of research funding over the initial three year research program term. We did not receive any research funding during the three months ended March 31, 2014 related to research being performed under the immuno-oncology collaboration.

We are eligible to receive certain contingent payments with respect to each target subject to the immuno-oncology collaboration and royalties on sales of products related to such targets, if any.

In accordance with ASU No. 2010-17, we determined that the remaining contingent payments under the immuno-oncology collaboration do not constitute milestone payments and will not be accounted for under the milestone method of revenue recognition. The events leading to these payments under the collaboration do not meet the definition of a milestone under ASU 2010-17 because the achievement of these events solely depends on BMS's performance. Any revenue from these contingent payments would be subject to an allocation of arrangement consideration and would be recognized over any remaining period of performance obligations, if any, relating to the collaboration. If we have no remaining performance obligations under the immuno-oncology collaboration at the time the contingent payment is triggered, we would recognize the contingent payment as revenue in full upon the triggering event.

In connection with the immuno-oncology collaboration, BMS purchased 994,352 shares of our common stock at a price per share of $21.16, for an aggregate purchase price of $21.0 million. We determined that the purchase price of $21.16 per share exceeded the fair value of our common stock by $2.4 million and, therefore, recorded the $2.4 million as deferred revenue, which we will recognize in the same manner as the $20.0 million up-front payment.

Total revenue recognized under the immuno-oncology collaboration was $0.2 million for the three months ended March 31, 2014. As of March 31, 2014, we had deferred revenue relating to the immuno-oncology collaboration of $22.2 million. As of March 31, 2014, the receivable from BMS under the immuno-oncology collaboration was $20.0 million and was paid in April 2014.

The immuno-oncology collaboration will terminate upon the expiration of all payment obligations under the collaboration. In addition, BMS may terminate the immuno-oncology collaboration in its entirety or on a collaboration target-by-collaboration target basis at any time with advance written notice, and either party may terminate the collaboration in its entirety, or on a collaboration target-by-collaboration target basis with written notice for the other party's material breach if such party fails to cure the breach or immediately upon certain insolvency events.

FIVE PRIME THERAPEUTICS, INC.

Notes to Condensed Financial Statements (continued)

6. Subsequent Events

In April 2014, we amended our research collaboration and license agreement, referred to as the respiratory diseases collaboration, with Glaxo Group Limited, or GSK UK, that we originally entered into in April 2012 to identify new therapeutic approaches to treat refractory asthma and chronic obstructive pulmonary disease function. Pursuant to the respiratory diseases collaboration, GSK UK has an option to elect to include additional screening assays under the research plan. The amendment allows GSK UK to terminate any additional screening assay it elects under the research plan within six months of so electing. Concurrent with the amendment, GSK UK exercised its option and expanded the research plan to include two additional screening assays. In connection with GSK UK's exercise of its option, we are entitled to receive up to $1.0 million in additional research funding in 16 equal quarterly payments for each additional screening assay, for a total of up to $2.0 million in additional research funding for both additional screening assays in the event that GSK UK does not terminate either additional screening assay by October 2014.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following management's discussion and analysis of our financial condition and results of operations in conjunction with our unaudited condensed financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and with our audited financial statements and related notes thereto for the year ended December 31, 2013, included in our Annual Report on Form 10-K, as filed with the U.S. Securities and Exchange Commission (SEC) on March 26, 2014.

Overview

Five Prime Therapeutics, Inc. (we, us, our, FivePrime, or the Company) is a clinical-stage biotechnology company focused on discovering and developing novel protein therapeutics. Protein therapeutics are antibodies or drugs developed from extracellular proteins or protein fragments that block disease processes, including cancer and inflammatory diseases. We have developed a library of more than 5,700 human extracellular proteins, which we believe represent substantially all of the body's medically important targets for protein therapeutics. We screen this comprehensive library with our proprietary high-throughput protein screening technologies to identify new targets for protein therapeutics. This platform has allowed us to develop a pipeline of novel product candidates for cancer and inflammatory diseases and to generate over $248 million under our collaboration arrangements through March 31, 2014.

We have no products approved for commercial sale and have not generated any revenue from product sales to date, and we continue to incur significant research and development and other expenses related to our ongoing operations. We have incurred losses in each period since our inception in 2002, with the exception of the fiscal year ended 2011, due to collaboration revenues from product candidates under collaboration agreements with third parties. For the three months ended March 31, 2014 and for the year ended December 31, 2013, we reported a net loss of $8.6 million and $28.9 million, respectively. As of March 31, 2014, we had an accumulated deficit of $160.2 million.

Our management's discussion and analysis of our financial condition and results of operations are based upon our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q, which we prepared in accordance with GAAP for interim periods and with Regulation S-X promulgated under the Securities and Exchange Act of 1934, as amended, or the Exchange Act.

First Quarter 2014 and Other Recent Highlights

On February 6, 2014, our registration statement on Form S-1 (File No. 333-193491) relating to our Follow-on Public Offering became effective. Our Follow-on Public Offering closed on February 12, 2014, at which time we sold 3,450,000 shares of our common stock, including shares we issued pursuant to our underwriters' exercise of their over-allotment option, and received net proceeds of $40.1 million, after underwriting discounts, commissions and estimated offering expenses.

In March 2014, we entered into the immuno-oncology collaboration with BMS, pursuant to which we and BMS will collaborate in carrying out a research program to (i) discover novel interacting proteins in two undisclosed immune checkpoint pathways, which we refer to as the checkpoint pathways, using our target discovery platform; (ii) further the understanding of target biology with respect to targets in these checkpoint pathways; and (iii) discover and pre-clinically develop compounds suitable for development for human therapeutic uses against targets in these checkpoint pathways.

The initial three-year research term of the immuno-oncology collaboration will end in March 2017. BMS has the option to extend the research term for two additional one-year terms.

In connection with entering into the immuno-oncology collaboration, BMS made an upfront payment of $20.0 million to us and will provide $9.5 million in research funding over the course of the initial three-year research term based on the research activities currently planned under the research plan. We will be eligible to receive up to $240.0 million per collaboration target in specified developmental, regulatory and commercialization contingent payments comprising aggregate developmental contingent payments of up to $53.0 million, aggregate regulatory contingent payments of up to $74.0 million and aggregate commercialization contingent payments of up to $113.0 million. We will also be eligible to receive up to $60.0 million in sales-based contingent payments per collaboration product.

For each commercialized product under the immuno-oncology collaboration that is directed toward a target in the checkpoint pathways, BMS is also obligated to pay us tiered mid-single digit to low double-digit percentage royalties, subject to reduction in certain circumstances, on net sales of such product for the longer of (i) 12 years after the first commercial sale of such product, (ii) the life of certain patents licensed covering such product or (iii) the date on which any applicable regulatory, pediatric, orphan drug or data exclusivity with respect to such product expires. We cannot determine the date on which BMS's potential royalty payment obligations to us would expire because BMS has not yet commercialized any products under the immuno-oncology collaboration and therefore we cannot identify the date of the first commercial sale or any related patents covering such product.

Unless earlier terminated by either party, the immuno-oncology collaboration will expire on a product-by-product and country-by-country basis upon the expiration of all of BMS's payment obligations under the immuno-oncology collaboration agreement. BMS may terminate the immuno-oncology collaboration agreement in its entirety or on a collaboration target-by-collaboration target basis at any time with advance written notice. Either party may terminate the immuno-oncology collaboration agreement in its entirety or on a collaboration target-by-collaboration target basis with written notice for the other party's material breach if such party fails to cure the breach. Either party also may terminate the immuno-oncology collaboration agreement in its entirety upon certain insolvency events involving the other party.

In connection with the immuno-oncology collaboration agreement, BMS purchased 994,352 shares of our common stock at a price per share of $21.16, for an aggregate purchase price of $21.0 million.

In April 2014, we amended our research collaboration and license agreement, referred to as the respiratory diseases collaboration, with Glaxo Group Limited, or GSK UK, that we originally entered into in April 2012 to identify new therapeutic approaches to treat refractory asthma and chronic obstructive pulmonary disease function. Pursuant to the respiratory diseases collaboration, GSK UK has an option to elect to include additional screening assays under the research plan. The amendment allows GSK UK to terminate any additional screening assay it elects under the research plan within six months of so electing. Concurrent with the amendment, GSK UK exercised its option and expanded the research plan to include two additional screening assays. In connection with GSK UK's exercise of its option, we are entitled to receive up to $1.0 million in additional research funding in 16 equal quarterly payments for each additional screening assay, for a total of up to $2.0 million in additional research funding for both additional screening assays in the event that GSK UK does not terminate either additional screening assay by October 2014.

Product Pipeline

The following table summarizes key information about our three most advanced product candidates:

PRODUCT CANDIDATE	INDICATION	COMMERCIAL RIGHTS	STAGE OF DEVELOPMENT AND ANTICIPATED MILESTONES
FP-1039	*FGFR1* gene-amplified tumors, e.g., squamous non-small cell lung cancer, and FGF-2 over-expressing tumors, e.g., mesothelioma	**GlaxoSmithKline**: U.S., EU and Canada **Five Prime**: Co-promote in U.S.; retained rest of world rights	• Phase 1b clinical trial underway • Phase 1b clinical data from the dose escalation parts of the squamous non-small cell lung cancer arms A & B are expected by the second half of 2014.
FPA008	Rheumatoid arthritis; other inflammatory and fibrotic diseases	**Five Prime**: Global	• Phase 1 clinical trial underway • Preliminary Phase 1 clinical trial data from healthy volunteers expected by end of 2014 • Advancement to dosing in RA patients expected by the end of 2014.
FPA144	*FGFR2* gene-amplified or FGFR2b protein over-expressing tumors, e.g., gastric cancer	**Five Prime**: Global	• Phase 1 clinical trial planned to commence by the end of 2014

Financial Overview

Collaboration Revenue

We have not generated any revenue from product sales. Our revenue to date has been derived from upfront payments, research and development funding and milestone payments under collaboration and license agreements with our collaboration partners, including GlaxoSmithKline, or GSK US, GSK UK, UCB Pharma S.A., or UCB, Pfizer Inc., or Pfizer, and BMS.

Summary Revenue by Collaboration Partner

The following is a comparison of collaboration revenue for the three months ended March 31, 2014 and 2013:

	THREE MONTHS ENDED MARCH 31,	
(in millions)	**2014**	**2013**
R&D Funding		
Glaxo Group Limited	$ 0.7	$ 0.7
GlaxoSmithKline LLC	0.5	0.8
Other	0.1	0.1
Ratable Revenue Recognition		
Glaxo Group Limited	0.7	0.7
GlaxoSmithKline LLC	0.6	0.6
Bristol-Myers Squibb Company	0.2	—
UCB Pharma S.A.	0.6	0.1
Milestone and Contingent Payments		
GlaxoSmithKline LLC	0.1	—
Total	$ 3.5	$ 3.0

We expect that any revenue we generate will fluctuate from period to period as a result of the timing and amount of milestones and other payments from our existing collaborations or any new collaborations we may enter into.

Research and Development

Research and development expenses consist of costs we incur in performing internal and collaborative research and development activities. Expenses incurred related to collaborative research and development agreements approximate the revenue recognized under these agreements. Research and development costs consist of salaries and benefits, including associated stock-based compensation, lab supplies, and facility costs, as well as fees paid to other entities that conduct certain research and development activities, including manufacturing, on our behalf.

We are conducting research and development activities on several oncology and inflammatory disease targets.

We have a research and development team that designs, manages and evaluates the results of all of our research and development activities. We conduct nearly all of the core target discovery and early research and preclinical activities internally and rely on third parties, such as clinical research organizations, or CROs, and clinical manufacturing organizations, or CMOs, for the execution of certain of our research and development activities, such as toxicology studies, drug substance and drug product manufacturing and the conduct of clinical trials. We account for research and development costs on a program-by-program basis. In the early phases of research and discovery, our costs are often related to improving our discovery platform or preliminary screening activities and are not necessarily allocable to a specific target. We assign costs for such activities to a distinct non-program related project code. We allocate research management, overhead, common usage laboratory supplies, and facility costs on a full-time equivalent basis.

The following is a comparison of research and development expenses for the three months ended March 31, 2014 and 2013:

	THREE MONTHS ENDED MARCH 31,	
(in millions)	**2014**	**2013**
Product programs:		
FP-1039	$ 0.1	$ 0.2
FPA008	2.2	2.2
FPA144	1.6	0.8
Early preclinical programs, collectively	0.3	1.9
Subtotal pipeline	4.2	5.1
Product and discovery collaborations	2.7	1.9
Early research and discovery	2.0	0.9
Total research and development expenses	$ 8.9	$ 7.9

We expect our research and development expenses to increase as we advance our development programs further and advance additional drug candidates into clinical development, in particular as we increase the number and size of our clinical trials. We began a Phase 1 clinical trial for FPA008 in October 2013 and expect to begin a Phase 1 clinical trial for FPA144 in selected patients by the end of 2014. The process of conducting preclinical studies and clinical trials necessary to obtain regulatory approval is costly and time-consuming. We or our partners may never succeed in achieving marketing approval for any of our drug candidates. Numerous factors may affect the probability of success for each drug candidate, including preclinical data, clinical data, competition, manufacturing capability and commercial viability.

FP-1039, our most-advanced product candidate, entered Phase 1b clinical development in July 2013, FPA008 entered Phase 1 clinical development in October 2013, and our other product candidates are in preclinical development; therefore the successful development of our drug candidates is highly uncertain and may not result in approved products. Completion dates and completion costs can vary significantly for each drug candidate and are difficult to predict for each product. Given the uncertainty associated with clinical trial enrollments and the risks inherent in the development process, we are unable to determine the duration and completion costs of the current or future clinical trials of our drug candidates or if, or to what extent, we will generate revenues from the commercialization and sale of any of our drug candidates. We anticipate we will make determinations as to which programs to pursue and how much funding to direct to each program on an ongoing basis in response to the outcome of research, nonclinical and clinical activities of each drug candidate, as well as ongoing assessment as to each drug candidate's commercial potential. We will need to raise additional capital or may seek additional product collaborations in the future in order to complete the development and commercialization of our drug candidates.

General and Administrative

General and administrative expenses consist primarily of salaries and related benefits, including associated stock-based compensation, related to our executive, finance, legal, business development, human resource and support functions. Other general and administrative expenses include allocated facility-related costs not otherwise included in research and development expenses, travel expenses and professional fees for auditing, tax and legal services, including intellectual property-related legal services.

We expect that our general and administrative expenses will increase for the foreseeable future as we incur additional costs associated with being a publicly traded company, including legal, auditing and filing fees, additional insurance premiums, investor relations expenses and general compliance and consulting expenses. Also, we expect our intellectual property-related legal expenses, including those related to preparing, filing, prosecuting and maintaining patent applications, to increase as our intellectual property portfolio expands.

Interest Income

Interest income consists of interest income earned on our cash and cash equivalents and marketable securities.

Other Income (Expense), Net

Other income (expense), net consists primarily of the revaluation of the preferred stock warrant liability and the gain or loss on the disposal of property and equipment, if any. Upon the completion of our IPO in September 2013, the preferred stock warrant liability was reclassified to additional paid-in capital and we no longer record any related periodic fair value adjustment.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of financial condition and results of operations are based upon our unaudited condensed financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, we evaluate our critical accounting policies and estimates. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. Our significant accounting policies are more fully described in Note 2 of the accompanying unaudited condensed financial statements and in Note 1 to our audited financial statements contained in our Annual Report on Form 10-K, or our Annual Report, as filed with the Securities and Exchange Commission, or SEC, on March 26, 2014. There have been no significant or material changes in our critical accounting policies during the three months ended March 31, 2014, as compared to those disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Use of Estimates" in our Annual Report.

Results of Operations

Comparison for the Three Months Ended March 31, 2014 and 2013

	THREE MONTHS ENDED MARCH 31,	
(in millions)	**2014**	**2013**
Collaboration revenue	$ 3.5	$ 3.0
Operating expenses:		
Research and development	8.9	7.9
General and administrative	3.3	2.4
Total operating expenses	12.2	10.3
Interest income	—	—
Other income, net	—	0.3
Net loss	$ (8.6)	$ (7.0)

Collaboration Revenue

Collaboration revenue increased by $0.5 million, or 16.7%, to $3.5 million for the three months ended March 31, 2014 from $3.0 million for three months ended March 31, 2013. This increase was primarily due to a $0.5 million increase in revenue recognized under our fibrosis and CNS collaboration with UCB entered into in March 2013 and the recognition of $0.2 million of revenue under our immuno-oncology collaboration with BMS, offset by a $0.2 million decrease in revenue from our research collaboration and license agreement, referred to as the muscle diseases collaboration, with GSK US, whose original term ended in July 2013.

Research and Development

Our research and development expenses increased by $1.0 million, or 12.7%, to $8.9 million for the three months ended March 31, 2014 from $7.9 million for the three months ended March 31, 2013. This increase was primarily due to an increase of $0.8 million related to our FPA144 program, a $0.8 million increase in our discovery collaboration costs due to entering into the fibrosis and CNS collaboration in March 2013, and a $1.1 million increase in early research and discovery costs related to cancer immunotherapy, offset by a decrease of $1.6 million in costs incurred in our early preclinical programs due to a reduction in the number of programs we were actively pursuing.

General and Administrative

Our general and administrative expenses increased by $0.9 million, or 37.5%, to $3.3 million for the three months ended March 31, 2014, from $2.4 million for the three months ended March 31, 2013, primarily due to an $0.8 million increase in public company-related expenses and legal fees, including legal fees related to the immuno-oncology collaboration with BMS.

Other Income, Net

Other income, net, was zero and $0.3 million for the three months ended March 31, 2014 and 2013, respectively. The $0.3 million other income in the first quarter of 2013 primarily relates to the re-measurement of the preferred stock warrant liability through March 31, 2013. The entire preferred stock warrant liability was reclassified to permanent equity as a result of the closing of our IPO in September 2013.

Liquidity and Capital Resources

On September 23, 2013, we completed our IPO, which resulted in the sale of 4,800,000 shares of our common stock at a price of $13.00 per share. On September 26, 2013 the underwriters of our IPO exercised their over-allotment option in full to purchase an additional 720,000 shares of common stock at a price of $13.00 per share. We received net proceeds from the IPO of $63.8 million after deducting underwriting discounts and commissions paid by us. In connection with the IPO, two outstanding preferred stock warrants net exercised and all of our outstanding convertible preferred stock automatically converted to common stock on a one-for-one ratio on September 23, 2013.

On February 12, 2014, we completed our Follow-on Public Offering, which resulted in the sale of 3,450,000 shares, at a price of $12.50 per share, including the full exercise of the underwriters' option to purchase an additional 450,000 shares of common stock. We received net proceeds from the offering of $40.1 million after deducting underwriting discounts, estimated offering expenses and commissions paid by us.

On March 14, 2014, we entered into the immuno-oncology collaboration with BMS to carry out a research program to discover and further understand targets in two immune checkpoint pathways using our target discovery platform and discover and pre-clinically develop compounds suitable for development for human therapeutic uses against targets in these checkpoint pathways. Under the immuno-oncology collaboration agreement, BMS made an upfront payment of $20.0 million to us in April 2014. In connection with the immuno-oncology collaboration agreement, BMS purchased 994,352 shares of our common stock at a price of $21.16, for an aggregate purchase price of $21.0 million.

Since our inception and through March 31, 2014, we have raised an aggregate of $446.0 million to fund our operations, including $163.0 million under our collaboration agreements, $66.7 million from our IPO, $40.5 million from our Follow-on Public Offering, $84.5 million from the sale of common stock and convertible preferred stock to discovery collaboration partners, $89.9 million from the sale of convertible preferred stock to parties other than our discovery collaboration partners and $1.4 million from the sale of our common stock other than in connection with our IPO or Follow-On Public Offering. As of March 31, 2014, we had $11.7 million in cash and cash equivalents, $117.3 million of marketable securities invested in a U.S. Treasury money market fund, U.S. Treasuries, and U.S. government agencies securities with maturities of 18 months or less, and a $20.0 million receivable from a collaborative partner that was paid in April 2014.

In addition to our existing cash and cash equivalents, we are eligible to receive research and development funding and to earn milestone and other contingent payments for the achievement of defined collaboration objectives and certain nonclinical, clinical, regulatory and sales-based events, and royalty payments under our collaboration agreements. Our ability to earn these milestone and contingent payments and the timing of achieving these milestones is primarily dependent upon the outcome of our collaborators' research and development activities and is uncertain at this time. Our rights to payment under our collaboration agreements are our only committed external source of funds.

Funding Requirements

Our primary uses of capital are, and we expect will continue to be, compensation and related expenses, third party clinical and preclinical research and development services, including manufacturing, laboratory and related supplies, legal, patent and other regulatory expenses and general overhead costs. We believe our use of CROs and contract manufacturers provides us with flexibility in managing our spending and limits our cost commitments at any point in time.

Because our product candidates are in various stages of clinical and preclinical development and the outcome of these efforts is uncertain, we cannot estimate the actual amounts necessary to successfully complete the development and commercialization of our product candidates or whether, or when, we may achieve profitability. Until such time, if ever, that we can generate substantial product revenues, we expect to finance our cash needs through collaboration arrangements and, if necessary, equity or debt financings. Except for any obligations of our collaborators to reimburse us for research and development expenses or to make milestone or royalty payments under our agreements with them, we will not have any committed external source of liquidity. To the extent that we raise additional capital through the future sale of equity or debt, the ownership interests of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our existing stockholders. If we raise additional funds through collaboration arrangements in the future, we may have to relinquish valuable rights to our technologies, future revenue streams or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Based on our research and development plans and our timing expectations related to the progress of our programs, we expect that our existing cash and cash equivalents and marketable securities as of March 31, 2014, the $20.0 million upfront payment we received in April 2014 from the March 2014 BMS immuno-oncology collaboration and funding that we expect to receive under our existing collaborations will enable us to fund our operating expenses and capital expenditure requirements for more than two years, without giving effect to any potential contingent payments we may receive under our existing collaboration agreements or any new collaboration agreements that we may enter into. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we expect. Additionally, the process of testing drug candidates in clinical trials is costly, and the timing of progress and expenses in these trials is uncertain.

Cash Flows

The following is a summary of cash flows for the three months ended March 31, 2014 and 2013:

	THREE MONTHS ENDED MARCH 31,	
(in millions)	**2014**	**2013**
Net cash used in operating activities	$ (5.6)	$ (0.1)
Net cash (used in) provided by investing activities	(50.2)	6.6
Net cash provided by financing activities	59.3	—

Net Cash Used in Operating Activities

Net cash used in operating activities was $5.6 million during the three months ended March 31, 2014. The net loss of $8.6 million was offset by non-cash charges of $0.4 million for depreciation and amortization, $0.6 million for stock-based compensation expense, and $0.2 million for amortization of premium on marketable securities. The net change in operating assets and liabilities was $1.8 million. Net cash used in operating activities was $0.1 million during the three months ended March 31, 2013. The net loss of $7.0 million was offset by non-cash charges of $0.4 million for depreciation and amortization, $0.6 million for stock-based compensation expense, $0.1 million for amortization of premium on marketable securities and a $0.3 million non-cash gain for the revaluation of preferred stock warrant liabilities. The net change in operating assets and liabilities was $6.1 million.

The increase in cash used in operating activities in the first quarter of 2014 was due to our entry into our fibrosis and CNS collaborative agreement with UCB in March 2013, in connection with which we received an upfront license access fee of $6.0 million in March 2013.

Net Cash (Used in) Provided by Investing Activities

Net cash (used in) provided by investing activities for the periods presented primarily relates to the purchases and maturities of marketable securities. Purchases of property and equipment were $0.3 million for each of the three month period ended March 31, 2014 and 2013. The property and equipment purchases consisted primarily of purchases of laboratory equipment to support our research and development activities.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $59.3 million during the three months ended March 31, 2014 primarily related to the Follow-on Public Offering of our common stock, which resulted in the sale of 3,450,000 shares of common stock at a price of $12.50 per share, which resulted in cash proceeds of $40.1 million after deducting underwriting discounts and commissions and estimated expenses. Also, in connection with the immuno-oncology collaboration, BMS purchased 994,352 shares of our common stock at a price of $21.16, for an aggregate purchase price of $21.0 million in March 2014, of which $2.4 million was considered to be an implied premium and was allocated to the deliverables under the immuno-oncology collaboration, resulting in $18.6 million being allocated to common stock. Additionally, we received $0.5 million from employee stock option exercises for the three months ended March 31, 2014.

Net cash provided by financing activities of less than $0.1 million during the three months ended March 31, 2013 reflects cash received from employee stock option exercises.

Contractual Obligations and Contingent Liabilities

During the three months ended March 31, 2014, there were no material changes to our contractual obligations and commitments described under Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under SEC rules.

JOBS Act

In April 2012, the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, was enacted. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period, and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The market risk inherent in our financial instruments and in our financial position reflects the potential losses arising from adverse changes in interest rates and concentration of credit risk. As of March 31, 2014, we had cash and cash equivalents and marketable securities of $128.9 million consisting of bank deposits, interest-bearing money market accounts, U.S. Treasuries, and U.S. government agency securities. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates. Due to the short-term maturities of our cash equivalents and marketable securities, and the low risk profile of our marketable securities, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our cash equivalents and marketable securities. We have the ability to hold our marketable securities until maturity, and therefore we do not expect a change in market interest rates to affect our operating results or cash flows to any significant degree.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures. Management, including our President and Chief Executive Officer and Senior Vice President and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), as of the end of the period covered by this report. Based upon the evaluation, the President and Chief Executive Officer and Senior Vice President and Chief Financial Officer concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is (i) recorded, processed, summarized and reported as and when required and (ii) accumulated and communicated to our management, including the President and Chief Executive Officer and Senior Vice President and Chief Financial Officer, as appropriate to allow timely discussion regarding required disclosure.

Changes in internal control over financial reporting. There have been no significant changes in our internal control over financial reporting during our most recent fiscal quarter that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently subject to any material legal proceedings.

Item 1A. Risk Factors

This Quarterly Report on Form 10-Q contains forward-looking information based on our current expectations. Because our business is subject to many risks and our actual results may differ materially from any forward-looking statements made by or on behalf of us, this section includes a discussion of important factors that could affect our business, operating results, financial condition and the trading price of our common stock. You should carefully consider these risk factors, together with all of the other information included in this Quarterly Report on Form 10-Q as well as our other publicly available filings with the SEC.

Risks Related to Our Financial Position and Capital Needs

We have incurred net losses in nearly every year since our inception and anticipate that we will continue to incur net losses in the future.

We are a clinical-stage biotechnology company with a limited operating history. Investment in biopharmaceutical product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that any potential product candidate will fail to demonstrate adequate effect or an acceptable safety profile, gain regulatory approval and become commercially viable. We have no products approved for commercial sale and have not generated any revenue from product sales to date, and we continue to incur significant research and development and other expenses related to our ongoing operations. As a result, we are not profitable and have incurred losses in each period since our inception in 2001, with the exception of the fiscal year ended 2011 due to collaboration revenues from product candidates that we partnered. For the three months ended March 31, 2014, we reported a net loss of $8.6 million. As of March 31, 2014, we had an accumulated deficit of $160.2 million.

We expect to continue to incur significant losses for the foreseeable future, and we expect these losses to increase as we continue our research and development of, and seek regulatory approvals for, our product candidates. We may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. The size of our future net losses will depend, in part, on the rate of future growth of our expenses and our ability to generate revenues. Our prior losses and expected future losses have had and will continue to have an adverse effect on our stockholders' equity and working capital.

We currently have no source of product revenue and may never become profitable.

To date, we have not generated any revenues from commercialization of our product candidates. Our ability to generate product revenue and ultimately become profitable depends upon our ability, alone or with our partners, to successfully commercialize products, including any of our current product candidates or other product candidates that we may develop, in-license or acquire in the future. We do not anticipate generating revenue from the sale of products for the foreseeable future. Our ability to generate future product revenue from our current or future product candidates also depends on a number of additional factors, including our or our partners' ability to:

- successfully complete research and clinical development of current and future product candidates;
- establish and maintain supply and manufacturing relationships with third parties, and ensure adequate and legally compliant manufacturing of bulk drug substances and drug products to maintain that supply;
- launch and commercialize future product candidates for which we obtain marketing approval, if any, and if launched independently, successfully establish a sales force, marketing and distribution infrastructure;
- obtain coverage and adequate product reimbursement from third-party payors, including government payors;
- achieve market acceptance for our or our partners' products, if any;
- establish, maintain and protect our intellectual property rights; and
- attract, hire and retain qualified personnel.

In addition, because of the numerous risks and uncertainties associated with pharmaceutical product development, including that our product candidates may not advance through development or achieve the endpoints of applicable clinical trials, we are unable to predict the timing or amount of increased expenses, or if or when we will achieve or maintain profitability. In addition, our expenses could increase beyond expectations if we decide to or are required by the U.S. Food and Drug Administration, or FDA, or foreign

regulatory authorities to perform studies or trials in addition to those that we currently anticipate. Even if we complete the development and regulatory processes described above, we anticipate incurring significant costs associated with launching and commercializing these products.

Even if we generate revenues from the sale of any of our products that may be approved, we may not become profitable and may need to obtain additional funding to continue operations. If we fail to become profitable or do not sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and be forced to reduce our operations.

We will require additional capital to finance our operations, which may not be available to us on acceptable terms, or at all. As a result, we may not complete the development and commercialization of our product candidates or develop new product candidates.

As a research and development company, our operations have consumed substantial amounts of cash since inception. We expect our research and development expenses to increase substantially in connection with our ongoing activities, particularly as we advance our product candidates into clinical trials. We believe that our existing cash and cash equivalents, the upfront payment we received in April 2014 from the March 2014 BMS immuno-oncology collaboration and the funding we expect to receive under existing collaboration agreements will fund our projected operating requirements for more than two years. However, circumstances may cause us to consume capital more rapidly than we currently anticipate. For example, as we move our product candidates through preclinical studies and into clinical development, we may have adverse results requiring us to find new product candidates, or our product collaboration partners may not elect to pursue the development and commercialization of any of our product candidates that are subject to their respective agreements with us. Any of these events may increase our development costs more than we expect. We may need to raise additional funds or otherwise obtain funding through product collaborations if we choose to initiate additional clinical trials for product candidates other than programs currently partnered. In any event, we will require additional capital to obtain regulatory approval for, and to commercialize, future product candidates.

If we need to secure additional financing, such additional fundraising efforts may divert our management from our day-to-day activities, which may adversely affect our ability to develop and commercialize future product candidates. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. If we do not raise additional capital when required or on acceptable terms, we may need to:

- significantly delay, scale back or discontinue the development or commercialization of any product candidates or cease operations altogether;
- seek strategic alliances for research and development programs at an earlier stage than we would otherwise desire or on terms less favorable than might otherwise be available; or
- relinquish, or license on unfavorable terms, our rights to technologies or any future product candidates that we otherwise would seek to develop or commercialize ourselves.

If we need to conduct additional fundraising activities and we do not raise additional capital in sufficient amounts or on terms acceptable to us, we may be prevented from pursuing development and commercialization efforts, which will have a material adverse effect on our business, operating results and prospects.

Our forecast of the period of time through which our financial resources will adequately support our operations is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a result of a number of factors, including the factors discussed elsewhere in this “Risk Factors” section. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. Our future funding requirements, both short and long-term, will depend on many factors, including:

- the initiation, progress, timing, costs and results of preclinical and clinical studies for our product candidates and future product candidates we may develop;
- the outcome, timing and cost of seeking and obtaining regulatory approvals from the FDA and comparable foreign regulatory authorities, including the potential for such authorities to require that we perform more studies than those that we currently expect;
- the cost to establish, maintain, expand and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with licensing, preparing, filing, prosecuting, defending and enforcing any patents or other intellectual property rights;
- the effect of competing technological and market developments;
- market acceptance of any approved product candidates;
- the costs of acquiring, licensing or investing in additional businesses, products, product candidates and technologies;

- the cost and timing of selecting, auditing and potentially validating a manufacturing site for commercial-scale manufacturing; and
- the cost of establishing sales, marketing and distribution capabilities for our product candidates for which we may receive regulatory approval and that we determine to commercialize ourselves or in collaboration with our partners.

If a lack of available capital means that we cannot expand our operations or otherwise capitalize on our business opportunities, our business, financial condition and results of operations could be materially adversely affected.

Raising additional capital may cause dilution to our existing stockholders, restrict our operations or require us to relinquish rights to our technologies.

Until we can generate a sufficient amount of revenue from our products, if ever, we expect to finance future cash needs through public or private equity or debt offerings. Additional capital may not be available on reasonable terms, if at all. Raising additional funds through the issuance of additional debt or equity securities could result in dilution to our existing stockholders, and/or increased fixed payment obligations. Furthermore, these securities may have rights senior to those of our common stock and could contain covenants that would restrict our operations and potentially impair our competitiveness, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. Any of these events could significantly harm our business, financial condition and prospects.

We plan to use our federal and state net operating loss, or NOL, carryforwards to offset taxable income from revenue that may be generated from future operations. However, our ability to use NOL carryforwards could be limited as a result of issuance of equity securities.

We plan to use our current year operating losses to offset taxable income that may result from any revenue generated from future operations or corporate collaborations. To the extent that our taxable income exceeds any current year operating losses, we plan to use our NOL carryforwards to offset income that would otherwise be taxable. However, under the Tax Reform Act of 1986, the amount of benefits from our NOL carryforwards may be impaired or limited if we incur a cumulative ownership change of more than 50%, as interpreted by the U.S. Internal Revenue Service, over a three-year period. As a result, our use of federal NOL carryforwards could be limited by the provisions of Section 382 of the U.S. Internal Revenue Code of 1986, as amended, depending upon the timing and amount of additional equity securities that we issue. State NOL carryforwards may be similarly limited. Any such disallowances may result in greater tax liabilities than we would incur in the absence of such a limitation and any increased liabilities could adversely affect our business, results of operations, financial condition and cash flow.

Risks Related to Our Business and Industry

Only two of our product candidates are in clinical development. Preclinical testing of FPA144 may not lead to it advancing into clinical trials. We may not identify additional product candidates or identify or validate additional drug targets. If we do not successfully complete preclinical testing of FPA144, identify additional product candidates or identify or validate additional drug targets or experience significant delays in doing any of the foregoing, our business will be materially harmed.

We have invested a significant portion of our efforts and financial resources in the identification and validation of new targets for protein therapeutics and the identification and preclinical development of product candidates to these targets. To date, we have two product candidates, FP-1039 and FPA008, in clinical development and one candidate, FPA144, in preclinical development. Our ability to generate product revenues, which we do not expect will occur for many years, if ever, will depend heavily on our ability to identify and validate new targets and identify and advance preclinical product candidates into clinical development. The outcome of target discovery and validation efforts and preclinical studies may not predict the success of clinical trials. Moreover, preclinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in preclinical studies have nonetheless failed in clinical development. Our inability to successfully identify and validate new targets and complete preclinical development could result in additional costs to us or impair our ability to generate product revenues or development, regulatory, commercialization and sales milestone payments and royalties on product sales.

If clinical trials of our product candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.

Before obtaining marketing approval from regulatory authorities for the sale of future product candidates, we or our partners must conduct extensive clinical trials to demonstrate the safety and efficacy of the product candidates in humans. Clinical testing is expensive and difficult to design and implement, can take many years to complete and is uncertain as to outcome. A failure of one or more clinical trials can occur at any stage of testing. The outcome of preclinical studies and early clinical trials may not predict the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or unacceptable safety profiles, notwithstanding promising results in earlier trials. Despite the results reported in our Phase 1 clinical trial for FP-1039 and in preclinical studies for our other product candidates, we do not know whether the clinical trials we or our partners may conduct will demonstrate adequate efficacy and safety to result in regulatory approval to market any of our product candidates in any particular jurisdiction or jurisdictions. If later-stage clinical trials do not produce favorable results, our or our partners' ability to achieve regulatory approval for any of our product candidates may be adversely impacted.

If we experience delays in clinical testing, we will be delayed in commercializing our product candidates, our costs may increase and our business may be harmed.

We do not know whether any clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all. Our product development costs will increase if we experience delays in clinical testing. Significant clinical trial delays also could shorten any periods during which we may have the exclusive right to commercialize our product candidates or allow our competitors to bring products to market before we do, which would impair our ability to successfully commercialize our product candidates and may harm our business, results of operations and prospects. Events which may result in a delay or unsuccessful completion of clinical development include:

- delays in reaching an agreement with or failure in obtaining authorization from the FDA, or other regulatory authorities and institutional review boards, or IRBs;
- imposition of a clinical hold following an inspection of our clinical trial operations or trial sites by the FDA or other regulatory authorities, or a decision by the FDA, other regulatory authorities, IRBs or the Company, or recommendation by a data safety monitoring board, to suspend or terminate clinical trials at any time for safety issues or for any other reason;
- delays in reaching agreement on acceptable terms with prospective CROs and clinical trial sites;
- deviations from the trial protocol by clinical trial sites and investigators or failure to conduct the trial in accordance with regulatory requirements;
- failure of our third parties, such as CROs, to satisfy their contractual duties or meet expected deadlines;
- delays in the testing, validation, manufacturing and delivery of the product candidates to the clinical sites;
- for clinical trials in selected patient populations, delays in identification and auditing of central or other laboratories and the transfer and validation of assays or tests to be used to identify selected patients;
- delays in having patients complete participation in a trial or return for post-treatment follow-up;
- delays caused by patients dropping out of a trial due to side effects or disease progression;
- withdrawal of clinical trial sites from our clinical trials as a result of changing standards of care or the ineligibility of a site to participate in our clinical trials; or
- changes in government regulations or administrative actions or lack of adequate funding to continue the clinical trials.

Any inability of us or our partners to timely complete clinical development could result in additional costs to us or impair our ability to generate product revenues or development, regulatory, commercialization and sales milestone payments and royalties on product sales.

If we are or our partners are unable to timely enroll patients in clinical trials, we will be unable to complete these trials on a timely basis.

The timely completion of clinical trials largely depends on the rate of patient enrollment. Many factors affect the rate of patient enrollment, including:

- the size and nature of the patient population;
- the number and location of clinical sites;
- competition with other companies for clinical sites or patients;
- the eligibility and exclusion criteria for the trial;
- the design of the clinical trial;
- inability to obtain and maintain patient consents;
- risk that enrolled subjects will drop out before completion; and
- competing clinical trials and clinicians' and patients' perceptions as to the potential advantages of the drug being studied in relation to other available therapies, including any new drugs that may be approved for the indications we are investigating.

There is significant competition for recruiting cancer and rheumatoid arthritis patients in clinical trials, and we or our partners may be unable to timely enroll the patients we need to complete clinical trials on a timely basis or at all.

We may not successfully identify, test, develop or commercialize potential product candidates.

The success of our business depends primarily upon our ability to identify and validate new protein therapeutic targets, including through the use of our discovery platform, and identify, test, develop and commercialize protein therapeutics, which we may develop ourselves or in-license from others. Our research efforts may initially show promise in discovering potential new protein therapeutic targets or candidates, yet fail to yield product candidates for clinical development for a number of reasons, including because:

- our research methodology, including our screening technology, may not successfully identify medically relevant protein therapeutic targets or potential product candidates;
- we tend to identify and select from our discovery platform novel, untested targets in the particular disease indications we are pursuing, which may be challenging to validate because of the novelty of the target or we may fail to validate at all after further research work;
- we may need to rely on third parties to generate antibody candidates for our product candidate programs;
- we may encounter product manufacturing difficulties that limit yield or produce undesirable characteristics that increase the cost of goods, cause delays or make the product candidates unmarketable;
- our product candidates may cause adverse effects in patients or subjects, even after successful initial toxicology studies, which may make the product candidates unmarketable;
- our product candidates may not demonstrate a meaningful benefit to patients or subjects; and
- our collaboration partners may change their development profiles or plans for potential product candidates or abandon a therapeutic area or the development of a partnered product.

If any of these events occur, we may be forced to abandon our development efforts for a program or programs, which would have a material adverse effect on our business, operating results and prospects and could potentially cause us to cease operations. Research programs to identify new product targets and candidates require substantial technical, financial and human resources. We may focus our efforts and resources on potential discovery efforts, programs or product candidates that ultimately prove to be unsuccessful.

We are subject to a multitude of manufacturing risks, any of which could substantially increase our costs and limit supply of our products.

The process of manufacturing our products is complex and subject to several risks, including:

- the process of manufacturing biologics is susceptible to product loss due to contamination, equipment failure or improper installation or operation of equipment, or vendor or operator error. Even minor deviations from normal manufacturing processes could result in reduced production yields, product defects and other supply disruptions. If microbial, viral or other contaminations are discovered in our products or in the manufacturing facilities in which our products are made, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination;
- the manufacturing facilities in which our products are made could be adversely affected by equipment failures, labor and raw material shortages, natural disasters, power failures and numerous other factors; and
- any adverse developments affecting manufacturing operations for our products may result in shipment delays, inventory shortages, lot failures, product withdrawals or recalls, or other interruptions in the supply of our products. We may also have to take inventory write-offs and incur other charges and expenses for products that fail to meet specifications, undertake costly remediation efforts or seek more costly manufacturing alternatives.

Certain raw materials necessary for the manufacture of our FPA008 and FPA144 products under our current manufacturing process, such as growth media, resins and filters, are available from a single supplier. We do not have agreements in place that guarantee our supply or the price of these raw materials. Any significant delay in the acquisition or decrease in the availability of these raw materials could considerably delay the manufacture of our product candidates, which could adversely impact the timing of any planned trials or the regulatory approval of that product candidate.

We depend on third-party manufacturers for the manufacture of drug substance and drug product for clinical trials as well as on third parties for our supply chain. Any problems we experience with any of these third parties could delay the manufacturing of our product candidates, which could harm our results of operations.

We have process development and small-scale manufacturing capabilities. We do not have and we do not currently plan to acquire or develop the facilities or capabilities to manufacture bulk drug substance or filled drug product for use in human clinical trials or commercialization.

Human Genome Sciences, Inc., which was acquired by GSK US in August 2012, and which we refer to as GSK-HGS, is responsible for the manufacturing of FP-1039 for GSK-HGS's use in clinical trials. Under our license and collaboration agreement with GSK-HGS, we have the right to require GSK-HGS to manufacture and supply us with FP-1039 bulk drug substance and filled FP-1039 drug product. We have contracted with third parties for the manufacture of FPA008 and FPA144 bulk drug substance and drug product for Phase 1 clinical testing and labeling and distribution of FPA008 drug product for our Phase 1 clinical trial of FPA008.

We have not contracted with alternate suppliers in the event the current organizations we utilize are unable to scale production, or if we otherwise experience any problems with them. If we are unable to arrange for alternative third-party manufacturing sources, or to do so on commercially reasonable terms or in a timely manner, we may be delayed in the development of our product candidates.

Our reliance on third-party manufacturers subjects us to risks to which we would not be subject if we manufactured product candidates or products ourselves, including failure of the third party to abide by regulatory and quality assurance requirements, the possibility of breach of the manufacturing agreement by the third party because of factors beyond our control (including the third party's failure to manufacture our product candidates or any products we may eventually commercialize in accordance with our specifications) and the possibility of termination or nonrenewal of the agreement by the third party, based on its own business priorities, at a time that is costly or damaging to us.

The regulatory approval processes of the FDA and comparable foreign regulatory authorities are lengthy, time-consuming and inherently unpredictable. Our inability to obtain regulatory approval for our product candidates would substantially harm our business.

The time required to obtain approval by the FDA and comparable foreign regulatory authorities is unpredictable but typically takes many years following the commencement of preclinical studies and clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. We have not obtained regulatory approval for any product candidate and it is possible that none of our existing product candidates or any future product candidates will ever obtain regulatory approval.

Our product candidates could fail to receive regulatory approval from the FDA or a comparable foreign regulatory authority for many reasons, including:

- disagreement with the design or implementation of our clinical trials;
- failure to demonstrate that a product candidate is safe and effective for its proposed indication;
- failure of clinical trials to meet the level of statistical significance required for approval;
- failure to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- disagreement with our interpretation of data from preclinical studies or clinical trials;
- the insufficiency of data collected from clinical trials of our product candidates to support the submission and filing of a Biologic License Application or other submission or to obtain regulatory approval;
- failure to obtain approval of the manufacturing processes or facilities of third-party manufacturers with whom we contract for clinical and commercial supplies; or
- changes in the approval policies or regulations that render our preclinical and clinical data insufficient for approval.

The FDA or a comparable foreign regulatory authority may require more information, including additional preclinical or clinical data to support approval, which may delay or prevent approval and our commercialization plans, or we may decide to abandon the development program. If we were to obtain approval, regulatory authorities may approve any of our product candidates for fewer or more limited indications than we request, may grant approval contingent on the performance of costly post-marketing clinical trials, or may approve a product candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate.

Our product candidates may cause undesirable side effects or have other properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following any marketing approval.

Undesirable side effects caused by our product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or other comparable foreign regulatory authority. Results of our trials could reveal a high and unacceptable severity and prevalence of side effects or unexpected characteristics. In such an event, we could suspend or terminate our trials or the FDA or comparable foreign regulatory authorities could order us to cease clinical trials or deny approval of our product candidates for any or all targeted indications. Drug-related side effects could affect patient recruitment or the ability of enrolled subjects to complete the trial or result in potential product liability claims. Any of these occurrences may harm our business, financial condition and prospects significantly.

Additionally, if one or more of our product candidates receives marketing approval, and we or others later identify undesirable side effects caused by such products, a number of potentially significant negative consequences could result, including:

- we may suspend marketing of, or withdraw or recall, such product;
- regulatory authorities may withdraw approvals of such product;
- regulatory authorities may require additional warnings on the label;
- the FDA or other regulatory bodies may issue safety alerts, Dear Healthcare Provider letters, press releases or other communications containing warnings about such product;

- the FDA may require the establishment or modification of REMS or a comparable foreign regulatory authority may require the establishment or modification of a similar strategy that may, for instance, restrict distribution of our products and impose burdensome implementation requirements on us;
- regulatory authorities may require that we conduct post-marketing studies;
- we could be sued and held liable for harm caused to subjects or patients; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the particular product candidate or otherwise materially harm the commercial prospects for the product candidate, if approved, and could significantly harm our business, results of operations and prospects.

If we are unable to successfully develop companion diagnostics for our therapeutic product candidates, or experience significant delays in doing so, we may not achieve marketing approval or realize the full commercial potential of our therapeutic product candidates.

We and certain of our partners plan to develop companion diagnostics for our therapeutic product candidates. We expect that, at least in some cases, the FDA and comparable foreign regulatory authorities may require the development and regulatory approval of a companion diagnostic as a condition to approving our therapeutic product candidates. We do not have experience or capabilities in developing or commercializing diagnostics and plan to rely in large part on third parties to perform these functions. We do not currently have any agreements in place with any third party to develop or commercialize companion diagnostics for any of our therapeutic product candidates.

Companion diagnostics are subject to regulation by the FDA and comparable foreign regulatory authorities as medical devices and may require separate regulatory approval prior to commercialization.

If we or our partners, or any third parties that either of us engage to assist us, are unable to successfully develop companion diagnostics for our therapeutic product candidates, or experience delays in doing so:

- the development of our therapeutic product candidates may be adversely affected if we are unable to appropriately select patients for enrollment in our clinical trials;
- our therapeutic product candidates may not receive marketing approval if their safe and effective use depends on a companion diagnostic; and
- we may not realize the full commercial potential of any therapeutic product candidates that receive marketing approval if, among other reasons, we are unable to appropriately identify patients with the specific genetic alterations targeted by our therapeutic product candidates.

If any of these events were to occur, our business would be harmed, possibly materially.

Even if our product candidates receive regulatory approval, they may still face future development and regulatory difficulties.

Even if we obtain regulatory approval for a product candidate, it would be subject to ongoing requirements by the FDA and comparable foreign regulatory authorities governing the manufacture, quality control, further development, labeling, packaging, storage, distribution, safety surveillance, import, export, advertising, promotion, recordkeeping and reporting of safety and other post-market information. The FDA and comparable foreign regulatory authorities will continue to closely monitor the safety profile of any product even after approval. If the FDA or comparable foreign regulatory authorities become aware of new safety information after approval of any of our product candidates, they may require labeling changes or establishment of a REMS or similar strategy, impose significant restrictions on a product's indicated uses or marketing, or impose ongoing requirements for potentially costly post-approval studies or post-market surveillance.

In addition, manufacturers of drug products and their facilities are subject to continual review and periodic inspections by the FDA and other regulatory authorities for compliance with current Good Manufacturing Practices, or cGMP, regulations and standards. If we or a regulatory agency discover previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, a regulatory agency may impose restrictions on that product, the manufacturing facility or us, including requiring recall or withdrawal of the product from the market or suspension of manufacturing. If we, our product candidates or the manufacturing facilities for our product candidates fail to comply with applicable regulatory requirements, a regulatory agency may:

- issue warning letters or untitled letters;
- mandate modifications to promotional materials or require us to provide corrective information to healthcare practitioners;
- require us to enter into a consent decree, which can include imposition of various fines, reimbursements for inspection costs, required due dates for specific actions and penalties for noncompliance;
- seek an injunction or impose civil or criminal penalties or monetary fines;
- suspend or withdraw regulatory approval;
- suspend any ongoing clinical studies;
- refuse to approve pending applications or supplements to applications filed by us;
- suspend or impose restrictions on operations, including costly new manufacturing requirements; or
- seize or detain products, refuse to permit the import or export of products, or require us to initiate a product recall.

The occurrence of any event or penalty described above may inhibit our ability to commercialize our products and generate revenue.

Advertising and promotion of any product candidate that obtains approval in the United States will be heavily scrutinized by the FDA, the Department of Justice, the Department of Health and Human Services' Office of Inspector General, state attorneys general, members of Congress and the public. Violations, including promotion of our products for unapproved (or off-label) uses, are subject to enforcement letters, inquiries and investigations, and civil and criminal sanctions by the government. Additionally, comparable foreign regulatory authorities will heavily scrutinize advertising and promotion of any product candidate that obtains approval outside of the United States.

In the United States, engaging in the impermissible promotion of our products for off-label uses can also subject us to false claims litigation under federal and state statutes, which can lead to civil and criminal penalties and fines and agreements that materially restrict the manner in which a company promotes or distributes drug products. These false claims statutes include the federal False Claims Act, which allows any individual to bring a lawsuit against a pharmaceutical company on behalf of the federal government alleging submission of false or fraudulent claims or causing to present such false or fraudulent claims for payment by a federal program such as Medicare or Medicaid. If the government prevails in the lawsuit, the individual will share in any fines or settlement funds. Since 2004, these False Claims Act lawsuits against pharmaceutical companies have increased significantly in volume and breadth, leading to several substantial civil and criminal settlements regarding certain sales practices promoting off-label drug uses involving fines in excess of $1.0 billion. This growth in litigation has increased the risk that a pharmaceutical company will have to defend a false claim action, pay settlement fines or restitution, agree to comply with burdensome reporting and compliance obligations, and be excluded from Medicare, Medicaid and other federal and state healthcare programs. If we do not lawfully promote our approved products, we may become subject to such litigation and, if we do not successfully defend against such actions, those actions may have a material adverse effect on our business, financial condition and results of operations.

The FDA's policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained, which would adversely affect our business, prospects and ability to achieve or sustain profitability.

Our failure to obtain regulatory approval in international jurisdictions would prevent us from marketing our product candidates outside the United States.

In order to market and sell our products in other jurisdictions, we must obtain separate marketing approvals and comply with numerous and varying regulatory requirements. The approval procedure varies among countries and can involve additional testing. The time required to obtain approval may differ substantially from that required to obtain FDA approval. The regulatory approval process outside the United States generally includes all of the risks associated with obtaining FDA approval. In addition, in many countries outside the United States, we must secure product reimbursement approvals before regulatory authorities will approve the product for sale in that country. Obtaining foreign regulatory approvals and compliance with foreign regulatory requirements could

result in significant delays, difficulties and costs for us and could delay or prevent the introduction of our products in certain countries. We may not obtain foreign regulatory approvals on a timely basis, if at all. Further, clinical trials conducted in one country may not be accepted by regulatory authorities in other countries and regulatory approval in one country or by one regulatory authority outside the United States does not ensure approval by regulatory authorities in any other country or jurisdiction or by the FDA, while a failure or delay in obtaining regulatory approval for any of our product candidates in one country may have a negative effect on the regulatory approval process in others and may significantly diminish the commercial prospects of that product candidate and our business prospects could decline. Also, regulatory approval for any of our product candidates may be withdrawn. If we fail to comply with the regulatory requirements in international markets and receive applicable marketing approvals, our target market will be reduced, our ability to realize the full market potential of our product candidates will be harmed and our business will be adversely affected.

We face substantial competition, which may result in others discovering, developing or commercializing products before or more successfully than us.

The biotechnology industry is intensely competitive and subject to rapid and significant technological change. We face competition with respect to our current product candidates and will face competition with respect to any future product candidates from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. Many of our competitors have significantly greater financial, technical and human resources. Smaller and early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies.

Our competitors may obtain regulatory approval of their products more rapidly than we may or may obtain patent protection or other intellectual property rights that limit our ability to develop or commercialize our product candidates. Our competitors may also develop drugs that are more effective, more convenient, more widely used and less costly or have a better safety profile than our products and these competitors may also be more successful than us in manufacturing and marketing their products.

Our competitors will also compete with us in recruiting and retaining qualified scientific, management and commercial personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

Although there are no approved therapies that specifically target the signaling pathways our product candidates are designed to modulate or inhibit, there are numerous currently approved therapies for treating the same diseases or indications for which our product candidates may be useful and many of these currently approved therapies act through mechanisms similar to our product candidates. Many of these approved drugs are well-established therapies or products and are widely accepted by physicians, patients and third-party payors. Some of these drugs are branded and subject to patent protection, and others are available on a generic basis. Insurers and other third-party payors may also encourage the use of generic products or specific branded products. We expect that if our product candidates are approved, they will be priced at a significant premium over competitive generic, including branded generic, products. This may make it difficult for us to differentiate our products from currently approved therapies, which may adversely impact our business strategy. In addition, many companies are developing new therapeutics, and we cannot predict what the standard of care will be as our product candidates progress through clinical development.

If FP-1039, our lead product candidate, were approved for the treatment of squamous non-small cell lung cancer, it could face competition from currently approved and marketed products, including carboplatin, cisplatin, paclitaxel, docetaxel, gemcitabine and *Tarceva*® (erlotinib). Further competition could arise from products currently in development, including several small molecules that act in the same pathway as FP-1039, including Novartis AG's BGJ-398, AstraZeneca plc's AZD-4547, Eli Lilly and Company's LY-2874455, ArQule Inc.'s ARQ-087, Clovis Oncology/Les Laboratoires Servier/EOS S.p.A.'s lucitanib and Janssen Pharmaceuticals, Inc.'s JNJ-42756493. Some of these programs have been advanced further in clinical development than FP-1039 and could receive approval before FP-1039 is approved, if it is approved at all.

If FPA008 were approved for the treatment of rheumatoid arthritis, it could face competition from currently approved and marketed products, including *Humira*®, *Remicade*® (infliximab) and *Enbrel*® (etanercept). Further competition could arise from products currently in development, including Daiichi Sankyo Co., Ltd./Plexxikon Inc.'s PLX5622 product and Janssen's JNJ-40346527, which act in the same pathway as FPA008.

If FPA144 were approved for the treatment of gastric cancer, it could face competition from currently approved and marketed products, including 5-fluorouracil, capecitabine, doxorubicin, cisplatin and docetaxel, all of which are available as generics. Further competition could arise from products currently in development, including AstraZeneca plc's AZD-4547 and Bayer's BAY1179470, an FGFR2 antibody.

We believe that our ability to successfully compete will depend on, among other things:

- the efficacy and safety profile of our product candidates, including relative to marketed products and product candidates in development by third parties;
- the time it takes for our product candidates to complete clinical development and receive marketing approval;
- the ability to commercialize any of our product candidates that receive regulatory approval;
- the price of our products, including in comparison to branded or generic competitors;
- whether coverage and adequate levels of reimbursement are available under private and governmental health insurance plans, including Medicare;
- the ability to establish, maintain and protect intellectual property rights related to our product candidates;
- the ability to manufacture commercial quantities of any of our product candidates that receive regulatory approval; and
- acceptance of any of our product candidates that receive regulatory approval by physicians and other healthcare providers.

Our product candidates may not achieve adequate market acceptance among physicians, patients, healthcare payors and others in the medical community necessary for commercial success.

Even if our product candidates receive regulatory approval, they may not gain adequate market acceptance among physicians, patients, healthcare payors and others in the medical community. Our commercial success also depends on coverage and adequate reimbursement of our product candidates by third-party payors, including government payors, generally, which may be difficult or time-consuming to obtain, may be limited in scope and may not be obtained in all jurisdictions in which we may seek to market our products. The degree of market acceptance of any of our approved product candidates will depend on a number of factors, including:

- the efficacy and safety profile of the product candidate, as demonstrated in clinical trials;
- the timing of market introduction of the product candidate as well as competitive products;
- the clinical indications for which the product candidate is approved;
- acceptance of the product candidate as a safe and effective treatment by physicians, clinics and patients;
- the potential and perceived advantages of the product candidate over alternative treatments, including any similar generic treatments;
- the cost of treatment in relation to alternative treatments;
- the availability of coverage and adequate reimbursement and pricing by third parties and government authorities;
- relative convenience and ease of administration;
- the frequency and severity of adverse events;
- the effectiveness of sales and marketing efforts; and
- unfavorable publicity relating to the product candidate.

If any product candidate is approved but does not achieve an adequate level of acceptance by physicians, hospitals, healthcare payors and patients, we may not generate or derive sufficient revenue from that product candidate and may not become or remain profitable.

Even if we commercialize any of our product candidates, these products may become subject to unfavorable pricing regulations, third-party reimbursement practices or healthcare reform initiatives, which could harm our business.

The regulations that govern marketing approvals, pricing and reimbursement for new drug products vary widely from country to country. Current and future legislation may significantly change the approval requirements in ways that could involve additional costs and cause delays in obtaining approvals. Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period begins after marketing or product licensing approval is granted. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain marketing approval for a product in a particular country, but then be subject to price regulations that delay our commercial launch of the product, possibly for lengthy time periods, which could negatively impact the revenues we generate from the sale of the product in that particular country. Adverse pricing limitations may hinder our ability to recoup our investment in one or more product candidates even if our product candidates obtain marketing approval.

Our ability to commercialize any products successfully also will depend in part on the extent to which coverage and adequate reimbursement for these products and related treatments will be available from government health administration authorities, private health insurers and other organizations. Government authorities and other third-party payors, such as private health insurers and health maintenance organizations, determine which medications they will cover and establish reimbursement levels. Government authorities and other third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. Increasingly, third-party payors are requiring that drug companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. We cannot be sure that coverage and reimbursement will be available for any product that we commercialize and, if reimbursement is available, what the level of reimbursement will be. Coverage and reimbursement may impact the demand for, or the price of, any product candidate for which we obtain marketing approval. If coverage and reimbursement are not available or reimbursement is available only to limited levels, we may not successfully commercialize any product candidate for which we obtain marketing approval.

There may be significant delays in obtaining coverage and reimbursement for newly approved drugs, and coverage may be more limited than the purposes for which the drug is approved by the FDA or comparable foreign regulatory authorities. Moreover, eligibility for coverage and reimbursement does not imply that a drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Interim reimbursement levels for new drugs, if applicable, may also not be sufficient to cover our costs and may only be temporary. Reimbursement rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on reimbursement levels already set for lower cost drugs and may be incorporated into existing payments for other services. Net prices for drugs may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. Our inability to promptly obtain coverage and profitable reimbursement rates from both government-funded and private payors for any approved products that we develop could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize products and our overall financial condition.

Recently enacted and future legislation may increase the difficulty and cost for us to commercialize our product candidates and affect the prices we may obtain.

The United States and many foreign jurisdictions have enacted or proposed legislative and regulatory changes affecting the healthcare system that could prevent or delay marketing approval of our product candidates, restrict or regulate post-approval activities and affect our ability to profitably sell any product candidate for which we obtain marketing approval.

In the United States, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or Medicare Modernization Act, changed the way Medicare covers and pays for pharmaceutical products. The legislation expanded Medicare coverage for drug purchases by the elderly by establishing Medicare Part D and introduced a new reimbursement methodology based on average sales prices for physician-administered drugs under Medicare Part B. In addition, this legislation provided authority for limiting the number of drugs that Medicare will cover in any therapeutic class under the new Medicare Part D program. Cost reduction initiatives and other provisions of this legislation could decrease the coverage and reimbursement rate that we receive for any of our approved products. While the Medicare Modernization Act applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates. Therefore, any reduction in reimbursement that results from the Medicare Modernization Act may result in a similar reduction in payments from private payors. In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or, collectively, the Affordable Care Act, a law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against healthcare fraud and abuse, add new transparency requirements for healthcare and health insurance industries, impose new taxes and fees on pharmaceutical and medical device manufacturers and impose additional health policy reforms. Among other things, the Affordable Care Act expanded manufacturers' rebate liability under the Medicaid Drug Rebate Program by increasing the minimum rebate for both branded and generic drugs, effective the first quarter of 2010 and revising the definition of "average manufacturer price," or AMP, for reporting purposes, which could increase the amount of Medicaid drug rebates manufacturers are required to pay to states. The legislation also extended Medicaid drug rebates, previously due only on fee-for-service utilization, to Medicaid managed care utilization, and created an alternative rebate formula for certain new formulations of certain existing products that is intended to increase the amount of rebates due on those drugs. The Centers for Medicare and Medicaid Services, which administers the Medicaid Drug Rebate Program, also has proposed to expand Medicaid drug rebates to the utilization that occurs in the U.S. territories, such as Puerto Rico and the Virgin Islands. Also effective in 2010, the Affordable Care Act expanded the types of entities eligible to receive discounted 340B pricing, although, with the exception of children's hospitals, these newly eligible entities will not be eligible to receive discounted 340B pricing on orphan drugs. In addition, because 340B pricing is determined based on AMP and Medicaid drug rebate data, the revisions to the Medicaid rebate formula and AMP definition described above could cause the required 340B discounts to increase. Furthermore, as of 2011, the new law imposes a significant annual fee on companies that manufacture or import branded prescription drug products and requires manufacturers to provide a 50% discount off the negotiated price of prescriptions filled by beneficiaries in the Medicare Part D coverage gap, referred

to as the "donut hole." Substantial new provisions affecting compliance have also been enacted, which may affect our business practices with healthcare practitioners. Notably, a significant number of provisions are not yet, or have only recently become, effective. Although it is too early to determine the full effect of the Affordable Care Act, the new law appears likely to continue the downward pressure on pharmaceutical pricing, especially under the Medicare program, and may also increase our regulatory burdens and operating costs.

In addition, other legislative changes have been proposed and adopted since the Affordable Care Act was enacted. For example, in August 2011, the President signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend to Congress proposals in spending reductions. The Joint Select Committee on Deficit Reduction did not achieve a targeted deficit reduction of at least $1.2 trillion for fiscal years 2012 through 2021, triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, starting in 2013.

We expect that the Affordable Care Act, as well as other healthcare reform measures that have and may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we receive for any approved product, and could seriously harm our future revenues. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability or commercialize our products.

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

We face an inherent risk of product liability exposure related to the testing of our product candidates in human clinical trials and will face an even greater risk if we commercially sell any products that we may develop. Product liability claims may be brought against us by subjects enrolled in our clinical trials, patients, healthcare providers or others using, administering or selling our products. If we cannot successfully defend ourselves against claims that our product candidates or products that we may develop caused injuries, we could incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for any product candidates or products that we may develop;
- termination of clinical trial sites or entire trial programs;
- injury to our reputation and significant negative media attention;
- withdrawal of clinical trial participants;
- significant costs to defend the related litigation;
- substantial monetary awards to trial subjects or patients;
- loss of revenue;
- diversion of management and scientific resources from our business operations; and
- the inability to commercialize any products that we may develop.

We currently hold $10 million in clinical trial liability insurance coverage, which may not adequately cover all liabilities that we may incur. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise. We intend to expand our insurance coverage for products to include the sale of commercial products if we obtain marketing approval for our product candidates in development, but we may be unable to obtain commercially reasonable product liability insurance for any products approved for marketing. Large judgments have been awarded in class action lawsuits based on drugs that had unanticipated side effects. A successful product liability claim or series of claims brought against us, particularly if judgments exceed our insurance coverage, could decrease our cash and adversely affect our business.

Our relationships with customers and third-party payors will be subject to applicable anti-kickback, fraud and abuse, transparency and other healthcare laws and regulations, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm, administrative burdens and diminished profits and future earnings.

Healthcare providers, physicians and third-party payors play a primary role in the recommendation and prescription of any product candidates for which we obtain marketing approval. Our future arrangements with third-party payors and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute our products for which we obtain marketing approval. Restrictions under applicable federal and state healthcare laws and regulations include the following:

- the federal Anti-Kickback Statute prohibits persons from, among other things, knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, the referral of an individual for the furnishing or arranging for the furnishing, or the purchase, lease or order, or arranging for or recommending purchase, lease or order, or any good or service for which payment may be made under a federal healthcare program such as Medicare and Medicaid;
- the federal False Claims Act imposes criminal and civil penalties, including through civil whistleblower or qui tam actions, against individuals or entities for knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, imposes criminal liability for knowingly and willfully executing a scheme to defraud any healthcare benefit program, knowingly and willfully embezzling or stealing from a health care benefit program, willfully obstructing a criminal investigation of a health care offense, or knowingly and willfully making false statements relating to healthcare matters;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009 and its implementing regulations, also imposes obligations on certain covered entity health care providers, health plans, and health care clearinghouses as well as their business associates that perform certain services involving the use or disclosure of individually identifiable health information, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;
- the federal Open Payments program, created under Section 6002 of the Affordable Care Act and its implementing regulations, requires manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) to report annually to the U.S. Department of Health and Human Services information related to "payments or other transfers of value" made to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, and applicable manufacturers and applicable group purchasing organizations to report annually to the U.S. Department of Health and Human Services ownership and investment interests held by physicians (as defined above) and their immediate family members; and
- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws, which may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers; state and foreign laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to healthcare providers; state and foreign laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures; and state and foreign laws that govern the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law interpreting applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, imprisonment, exclusion from government funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations. If any physician or other healthcare provider or entity with whom we expect to do business is found not to be in compliance with applicable laws, that person or entity may be subject to criminal, civil or administrative sanctions, including exclusions from government-funded healthcare programs.

We must attract and retain highly skilled employees in order to succeed.

To succeed, we must recruit, retain, manage and motivate qualified clinical, scientific, technical and management personnel and we face significant competition for experienced personnel. If we do not succeed in attracting and retaining qualified personnel, particularly at the management level, it could adversely affect our ability to execute our business plan and harm our operating results. In particular, the loss of one or more of our executive officers could be detrimental to us if we cannot recruit suitable replacements in a timely manner. The competition for qualified personnel in the pharmaceutical field is intense, and as a result, we may be unable to continue to attract and retain qualified personnel necessary for the development of our business or to recruit suitable replacement personnel.

Many of the other pharmaceutical companies that we compete against for qualified personnel have greater financial and other resources, different risk profiles and a longer history in the industry than we do. They also may provide more diverse opportunities and better chances for career advancement. Some of these characteristics may be more appealing to high-quality candidates than what we have to offer. If we are unable to continue to attract and retain high-quality personnel, the rate and success at which we can discover and develop product candidates and our business will be limited.

Our operations are vulnerable to interruption by fire, earthquake, power loss, telecommunications failure, terrorist activity, political and economic instability in the countries in which we operate and other events beyond our control, which could harm our business.

Our computer and other systems, or those of our partners, third-party CROs or other service providers, may fail or be interrupted, including due to fire, earthquake or other natural disasters, hardware, software, telecommunication or electrical failures or terrorism, or suffer security breaches, including due to computer viruses or unauthorized access, which could significantly disrupt or harm our business or operations. For example, a computing system failure could result in the loss of research, pre-clinical or clinical data important to our discovery, research or development programs, interrupt the conduct of ongoing experiments or otherwise impair our ability to operate, which could result in delays in the advancement of our programs or cause us to incur costs to recover or reproduce lost data. Our facility is located in a seismically active region. We have not undertaken a systematic analysis of the potential consequences to our business and financial results from a major earthquake, fire, power loss, terrorist activity or other disasters and do not have a recovery plan for such disasters. In addition, we do not carry sufficient insurance to compensate us for actual losses from interruption of our business that may occur, and any losses or damages incurred by us could harm our business. We maintain multiple copies of each of our protein libraries, most of which we maintain at our headquarters. We maintain one copy of each of our protein libraries offsite in Central California. If both facilities were impacted by the same event, we could lose all our protein libraries, which would have a material adverse effect on our ability to perform our obligations under our discovery collaborations and discover new targets.

In addition, we are conducting a clinical trial in Europe. Political and economic relations between Russia and Ukraine are complex, and recent conflicts have arisen between their governments. Political, ethnic, historical and other differences have, on occasion, given rise to tensions and, in certain cases, military conflict between these countries, which could adversely affect normal economic activity and disrupt the economies of neighboring regions. A significant portion of Europe's energy imports come from Russia, and in the event of a disruption of gas flow from Russia to countries in which we are conducting our clinical trial, our clinical trial could be interrupted and our business could be harmed.

Risks Related to Our Dependence on Third Parties

We currently depend significantly on GlaxoSmithKline, or GSK, for the development and commercialization of our most advanced product candidate, FP-1039, and GSK's failure to timely develop and/or commercialize FP-1039 would result in a material adverse effect on our business and operating results.

We granted Human Genome Sciences, Inc., which was acquired by GSK, an exclusive license to develop, subject to certain rights retained by us, and commercialize FP-1039 for all companion diagnostic, therapeutic and prophylactic uses for humans in the United States, the European Union and Canada. Our development collaboration with GSK on FP-1039 may not be scientifically, medically or commercially successful due to a number of important factors, including the following:

- FP-1039 may fail to demonstrate sufficient safety or efficacy in clinical trials to support regulatory approval;
- GSK may be unable to successfully develop, test and obtain regulatory approval for a companion diagnostic;
- GSK may be unable to manufacture sufficient quantities of FP-1039 in a cost-effective manner;
- GSK may be unable to obtain regulatory approval to commercialize FP-1039 even if clinical and preclinical testing is successful;
- GSK may not be successful in obtaining sufficient reimbursement for FP-1039;

- the prevalence of the target population we may observe in clinical trials may be lower than what is reported in the literature, which would result in slower enrollment and a smaller potential commercial patient population than what we currently estimate for FP-1039; and
- existing or future products or technologies developed by competitors may be safer, more effective or more conveniently delivered than FP-1039.

In addition, we could be adversely affected by:

- GSK's failure to timely perform its obligations under our collaboration agreement;
- GSK's failure to timely or fully develop or effectively commercialize FP-1039; and
- a material contractual dispute between us and GSK.

Any of the foregoing could adversely impact the likelihood and timing of any milestone payments we are eligible to receive and could result in a material adverse effect on our business, results of operations and prospects and would likely cause our stock price to decline.

GSK can terminate our collaboration agreement under certain conditions and without cause, and in some cases on short notice. GSK could also separately pursue alternative potentially competitive products, therapeutic approaches or technologies as a means of developing treatments for the diseases targeted by FP-1039.

We may not succeed in establishing and maintaining additional development collaborations, which could adversely affect our ability to develop and commercialize product candidates.

In addition to our current FP-1039 development collaboration with GSK, a part of our strategy is to enter into additional product development collaborations in the future, including collaborations with major biotechnology or pharmaceutical companies. We face significant competition in seeking appropriate development partners and the negotiation process is time-consuming and complex. Moreover, we may not succeed in our efforts to establish a development collaboration or other alternative arrangements for any of our other existing or future product candidates and programs because our research and development pipeline may be insufficient, our product candidates and programs may be deemed to be at too early a stage of development for collaborative effort and/or third parties may not view our product candidates and programs as having the requisite potential to demonstrate safety and efficacy. Even if we are successful in our efforts to establish new development collaborations, the terms that we agree upon may not be favorable to us and we may not be able to maintain such development collaborations if, for example, development or approval of a product candidate is delayed or sales of an approved product candidate are disappointing. Any delay in entering into new development collaboration agreements related to our product candidates could delay the development and commercialization of our product candidates and reduce their competitiveness if they reach the market.

Moreover, if we fail to establish and maintain additional development collaborations related to our product candidates:

- the development of certain of our current or future product candidates may be terminated or delayed;
- our cash expenditures related to development of certain of our current or future product candidates would increase significantly and we may need to seek additional financing;
- we may be required to hire additional employees or otherwise develop expertise, such as sales and marketing expertise, for which we have not budgeted; and
- we will bear all of the risk related to the development of any such product candidates.

We may not succeed in maintaining our current discovery collaborations or establishing and maintaining new discovery collaborations, which would adversely affect our business plans.

Since 2006, we have entered into seven discovery collaborations with Boehringer Ingelheim GmbH, or Boehringer, Centocor Research and Development Inc., or Centocor, GSK US, GSK UK, Pfizer, UCB and BMS, under which we have developed and conducted cell-based and *in vivo* screens using our protein discovery platform. These discovery collaborations have provided us with approximately $109.7 million in non-equity funding through March 31, 2014, and allowed us to be less reliant on equity financing during this period. We currently have ongoing discovery collaborations with GSK US, GSK UK, UCB and BMS. As of March 31, 2014, we were eligible to receive up to an additional $19.3 million of research funding and technology access fees through 2017 under the GSK, UCB and BMS discovery collaborations. While we expect we will receive all of this funding and these fees, if GSK US, GSK UK, UCB or BMS terminate any of our discovery collaborations, we may not receive all or any of this $19.3 million, which would adversely affect our business or financial condition. The research obligations under each of our discovery collaborations with Boehringer, Centocor and Pfizer have ended. We have no ongoing performance obligations and do not expect to receive any significant additional payments under these discovery collaborations.

As part of our business strategy, we plan to continue to actively seek out discovery collaboration partners and engage in discussions with pharmaceutical and biotechnology companies regarding potential new discovery collaborations with the goal of entering into one new discovery collaboration per year. We face significant competition in seeking appropriate discovery collaboration partners, including from these partners' internal research organizations, and the negotiation process is time-consuming and complex. Our failure to continue to enter into new discovery collaborations may require us to obtain financing earlier or in greater amounts than we currently plan.

We rely on third parties to conduct our clinical trials. The failure of these third parties to successfully carry out their contractual duties or meet expected deadlines, could substantially harm our business because we may not obtain regulatory approval for or commercialize our product candidates in a timely manner or at all.

We rely on third-party CROs to monitor and manage data for our clinical programs. We rely on these parties for execution of our clinical trials and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol and legal, regulatory and scientific standards, and our reliance on the CROs does not relieve us of our regulatory responsibilities. We and our CROs are required to comply with current Good Clinical Practices, or GCP, which are regulations and guidelines enforced by the FDA, the Competent Authorities of the Member States of the European Economic Area and comparable foreign regulatory authorities for all of our products in clinical development. Regulatory authorities enforce these GCP through periodic inspections of trial sponsors, principal investigators and trial sites. If we or any of our CROs fail to comply with applicable GCP, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials comply with GCP requirements. In addition, we must conduct our clinical trials with product produced under cGMP requirements. Failure to comply with these regulations may require us to repeat preclinical and clinical trials, which would delay the regulatory approval process.

Our CROs are not our employees, and except for remedies available to us under our agreements with such CROs, we cannot control whether or not they devote sufficient time and resources to our ongoing clinical, nonclinical and preclinical programs. If our CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols, regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates. As a result, our results of operations and the commercial prospects for our product candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed. To the extent we are unable to successfully identify and manage the performance of third-party service providers in the future, our business may be adversely affected.

Risks Related to Intellectual Property

If we are unable to obtain or protect intellectual property rights, we may not be able to compete effectively in our market.

Our success depends in significant part on our and our licensors', licensees' or collaborators' ability to establish, maintain and protect patents and other intellectual property rights and operate without infringing the intellectual property rights of others. We have filed numerous patent applications both in the United States and in foreign jurisdictions to obtain patent rights to inventions we have discovered. We have also licensed from third parties rights to patent portfolios. Some of these licenses give us the right to prepare, file and prosecute patent applications and maintain and enforce patents we have licensed, and other licenses may not give us such rights.

The patent prosecution process is expensive and time-consuming, and we and our current or future licensors, licensees or collaborators may not be able to prepare, file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we or our licensors, licensees or collaborators will fail to identify patentable aspects of inventions made in the course of development and commercialization activities before it is too late to obtain patent protection on them. Moreover, in some circumstances, we may not have the right to control the preparation, filing and prosecution of patent applications or to maintain the patents covering technology that we license from or license to third parties and may have to rely on our licensors, licensees or collaborators. Therefore, these patents and applications may not be prosecuted and enforced in a manner consistent with the best interests of our business. If our current or future licensors, licensees or collaborators fail to establish, maintain or protect such patents and other intellectual property rights, such rights may be reduced or eliminated. If our licensors, licensees or collaborators are not fully cooperative or disagree with us as to the prosecution, maintenance or enforcement of any patent rights, such patent rights could be compromised.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of our and our current or future licensors', licensees' or collaborators' patent rights are highly uncertain. Our and our licensors', licensees' or collaborators' pending and future patent applications may not result in patents being issued which protect our technology or products, in whole or in part, or which effectively prevent others from commercializing competitive technologies and products. The patent examination process may require us or our licensors, licensees or collaborators to narrow the scope of the claims of our or our licensors', licensees' or collaborators' pending and future patent applications, which may limit the scope of patent protection that may be obtained. Our and our licensors', licensees' or collaborators' patent applications cannot be enforced against third parties practicing the technology claimed in such applications unless and until a patent issues from such applications, and then only to the extent the issued claims cover the technology.

Furthermore, given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours. We expect to seek extensions of patent terms where these are available in any countries where we are prosecuting patents. This includes in the United States under the Drug Price Competition and Patent Term Restoration Act of 1984, which permits a patent term extension of up to five years beyond the expiration of the patent. However the applicable authorities, including the FDA in the United States, and any equivalent regulatory authority in other countries, may not agree with our assessment of whether such extensions are available, and may refuse to grant extensions to our patents, or may grant more limited extensions than we request. If this occurs, our competitors may take advantage of our investment in development and clinical trials by referencing our clinical and preclinical data and launch their product earlier than might otherwise be the case.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting, enforcing and defending patents on product candidates in all countries throughout the world would be prohibitively expensive, and our or our licensors' or collaborators' intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. Consequently, we and our licensors or collaborators may not be able to prevent third parties from practicing our and our licensors' or collaborators' inventions in all countries outside the United States, or from selling or importing products made using our and our licensors' or collaborators' inventions in and into the United States or other jurisdictions. Competitors may use our and our licensors' or collaborators' technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to territories where we and our licensors or collaborators have patent protection but enforcement is not as strong as that in the United States. These products may compete with our product candidates and our and our licensors' or collaborators' patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to biopharmaceuticals, which could make it difficult for us and our licensors or collaborators to stop the infringement of our and our licensors' or collaborators' patents or marketing of competing products in violation of our and our licensors' or collaborators' proprietary rights generally. Proceedings to enforce our and our licensors' or collaborators' patent rights in foreign jurisdictions could result in substantial costs and divert our and our licensors' or collaborators' efforts and attention from other aspects of our business, could put our and our licensors' or collaborators' patents at risk of being invalidated or interpreted narrowly and our and our licensors' or collaborators' patent applications at risk of not issuing and could provoke third parties to assert claims against us or our licensors or collaborators. We or our licensors or collaborators may not prevail in any lawsuits that we or our licensors or collaborators initiate and the damages or other remedies awarded, if any, may not be commercially meaningful.

The requirements for patentability may differ in certain countries, particularly developing countries. For example, unlike other countries, China has a heightened requirement for patentability and specifically requires a detailed description of medical uses of a claimed drug. In India, unlike the United States, there is no link between regulatory approval of a drug and its patent status. Furthermore, generic or biosimilar drug manufacturers or other competitors may challenge the scope, validity or enforceability of our or our licensors' or collaborators' patents, requiring us or our licensors or collaborators to engage in complex, lengthy and costly litigation or other proceedings. Generic or biosimilar drug manufacturers may develop, seek approval for, and launch biosimilar versions of our products. In addition to India, certain countries in Europe and developing countries, including China, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In those countries, we and our licensors or collaborators may have limited remedies if patents are infringed or if we or our licensors or collaborators are compelled to grant a license to a third party, which could materially diminish the value of those patents. This could limit our potential revenue opportunities. Accordingly, our and our licensors' or collaborators' efforts to enforce intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we own or license.

Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.

As is the case with other biotechnology and pharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry involves technological and legal complexity, and obtaining and enforcing biopharmaceutical patents is costly, time-consuming, and inherently uncertain. The Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our and our licensors' or collaborators' ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by Congress, the federal courts, and the U.S. Patent and Trademark Office, or USPTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our and our licensors' or collaborators' ability to obtain new patents or to enforce existing patents and patents we and our licensors or collaborators may obtain in the future.

Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our and our licensors' or collaborators' patent applications and the enforcement or defense of our or our licensors' or collaborators' issued patents. On September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to U.S. patent law. These include provisions that affect the way patent applications are prosecuted and may also affect patent litigation. The USPTO recently developed new regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act, and in particular, the first to file provisions, only became effective on March 16, 2013. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our or our licensors' or collaborators' patent applications and the enforcement or defense of our or our licensors' or collaborators' issued patents, all of which could have a material adverse effect on our business and financial condition.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance and annuity fees on any issued patent are due to be paid to the USPTO and foreign patent agencies in several stages over the lifetime of the patent. The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If we or our licensors or collaborators fail to maintain the patents and patent applications covering our product candidates, our competitors might be able to enter the market, which would have a material adverse effect on our business.

We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming and unsuccessful and have a material adverse effect on the success of our business.

Third parties may infringe our or our licensors' or collaborators' patents or misappropriate or otherwise violate our or our licensors' or collaborators' intellectual property rights. In the future, we or our licensors or collaborators may initiate legal proceedings to enforce or defend our or our licensors' or collaborators' intellectual property rights, to protect our or our licensors' or collaborators' trade secrets or to determine the validity or scope of intellectual property rights we own or control. Also, third parties may initiate legal proceedings against us or our licensors or collaborators to challenge the validity or scope of intellectual property rights we own or control. The proceedings can be expensive and time-consuming and many of our or our licensors' or collaborators' adversaries in these proceedings may have the ability to dedicate substantially greater resources to prosecuting these legal actions than we or our licensors or collaborators can. Accordingly, despite our or our licensors' or collaborators' efforts, we or our licensors or collaborators may not prevent third parties from infringing upon or misappropriating intellectual property rights we own or control, particularly in countries where the laws may not protect those rights as fully as in the United States. Litigation could result in substantial costs and diversion of management resources, which could harm our business and financial results. In addition, in an infringement proceeding, a court may decide that a patent owned by or licensed to us is invalid or unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our or our licensors' or collaborators' patents do not cover the technology in question. An adverse result in any litigation proceeding could put one or more of our or our licensors' or collaborators' patents at risk of being invalidated, held unenforceable or interpreted narrowly.

Third-party preissuance submission of prior art to the USPTO, or opposition, derivation, reexamination, *inter partes* review or interference proceedings, or other preissuance or post-grant proceedings in the United States or other jurisdictions provoked by third parties or brought by us or our licensors or collaborators may be necessary to determine the priority of inventions with respect to our or our licensors' or collaborators' patents or patent applications. An unfavorable outcome could require us or our licensors or collaborators to cease using the related technology and commercializing our product candidates, or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us or our licensors or collaborators a license on commercially reasonable terms or at all. Even if we or our licensors or collaborators obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us or our licensors or collaborators. In addition, if the breadth or strength of protection provided by our or our licensors' or collaborators' patents and patent applications is threatened, it could dissuade companies from collaborating with us to license, develop or commercialize current or future product candidates. Even if we successfully defend such litigation or proceeding, we may incur substantial costs and it may distract our management and other employees. We could be found liable for monetary damages, including treble damages and attorneys' fees if we are found to have willfully infringed a patent.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of shares of our common stock.

If we breach the agreements under which third parties have licensed intellectual property rights to us, we could lose the ability to use certain of our technologies or continue the development and commercialization of our product candidates.

Our commercial success depends upon our ability, and the ability of our licensors and collaborators, to discover and validate protein therapeutic targets and identify, test, develop, manufacture, market and sell product candidates and use our and our licensors' or collaborators' proprietary technologies without infringing the proprietary rights of third parties. A third party may hold intellectual property, including patent rights, that are important or necessary to the use of our technologies or development or commercialization of our products. As a result, we are a party to a number of technology licenses that are important to our business and expect to enter into additional licenses in the future. For example, we have entered into a non-exclusive license with BioWa, Inc. and Lonza Sales AG to use their Potelligent® CHOK1SV technology, which is necessary to produce our FPA144 antibody, and non-exclusive licenses with each of the National Research Council of Canada and the Board of Trustees of the Leland Stanford Junior University to use materials and technologies that we use in the production of our protein library. If we fail to comply with the obligations under these agreements, including payment and diligence terms, our licensors may have the right to terminate these agreements, in which event we may not be able to develop, manufacture, market or sell any product that is covered by these agreements or may face other penalties under the agreements. Such an occurrence could materially adversely affect the value of the product candidate being developed under any such agreement. Termination of these agreements or reduction or elimination of our rights under these agreements may result in our having to negotiate new or reinstated agreements, which may not be available to us on equally favorable terms, or at all, or cause us to lose our rights under these agreements, including our rights to intellectual property or technology important to our development programs.

Third parties may initiate legal proceedings against us alleging that we infringe their intellectual property rights or we may initiate legal proceedings against third parties to challenge the validity or scope of intellectual property rights controlled by third parties, the outcome of which would be uncertain and could have a material adverse effect on the success of our business.

Third parties may initiate legal proceedings against us or our licensors or collaborators alleging that we or our licensors or collaborators infringe their intellectual property rights or we or our licensors or collaborators may initiate legal proceedings against third parties to challenge the validity or scope of intellectual property rights controlled by third parties, including in oppositions, interferences, reexaminations, *inter partes* reviews or derivation proceedings before the United States or other jurisdictions. These proceedings can be expensive and time-consuming and many of our or our licensors' or collaborators' adversaries in these proceedings may have the ability to dedicate substantially greater resources to prosecuting these legal actions than we or our licensors or collaborators can.

An unfavorable outcome could require us or our licensors or collaborators to cease using the related technology or developing or commercializing our product candidates, or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us or our licensors or collaborators a license on commercially reasonable terms or at all. Even if we or our licensors or collaborators obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us or our licensors or collaborators. In addition, we could be found liable for monetary damages, including treble damages and attorneys' fees, if we are found to have willfully infringed a patent. A finding of infringement could prevent us from commercializing our product candidates or force us to cease some of our business operations, which could materially harm our business.

In May 2011, the European Patent Office, or the EPO, granted European Patent No. 2092069, or the '069 patent, to Aventis Pharma S.A., or Aventis. The '069 patent claimed soluble fibroblast growth factor receptor Fc fusion proteins having certain levels of glycosylation, some of which claims could have been relevant to our FP-1039 product candidate. In February 2012, we filed an opposition to the '069 patent. In March 2013, we attended oral proceedings before the Opposition Division of the EPO and presented our arguments regarding our opposition to the '069 patent. In April 2013, the Opposition Division of the EPO published an Interlocutory Decision regarding the outcome of the oral proceedings. In the Interlocutory Decision, the EPO maintained certain claims of the '069 patent covering FGFR2 fusion proteins, but not FGFR1 fusion proteins such as FP-1039. We and Aventis had the right until June 18, 2013 to appeal the Opposition Division's April 2013 decision; however, neither we nor Aventis appealed this decision and this proceeding has concluded. Aventis has pursued claims in other countries that are similar to those originally granted by the EPO in the '069 patent and we may need to initiate similar opposition or other legal proceedings in other jurisdictions with respect to patents that may issue with similar scope of claims as those originally granted in the '069 patent. If we unsuccessfully oppose Aventis' similar patents in a country, we could be required to obtain a license from Aventis to continue developing and commercializing FP-1039 in that country.

We may be subject to claims by third parties asserting that our employees or we have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property.

Many of our employees, including our senior management, were previously employed at universities or at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Some of these employees executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed confidential information or intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. Litigation may be necessary to defend against these claims.

If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel or sustain damages. Such intellectual property rights could be awarded to a third party, and we could be required to obtain a license from such third party to commercialize our technology or products. Such a license may not be available on commercially reasonable terms or at all. Even if we successfully prosecute or defend against such claims, litigation could result in substantial costs and distract management.

Our inability to protect our confidential information and trade secrets would harm our business and competitive position.

In addition to seeking patents for some of our technology and products, we also rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, corporate collaborators, outside scientific collaborators, contract manufacturers, consultants, advisors and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants. Despite these efforts, any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts both within and outside the United States may be less willing or unwilling to protect trade secrets. If a competitor lawfully obtained or independently developed any of our trade secrets, we would have no right to prevent such competitor from using that technology or information to compete with us, which could harm our competitive position.

Risks Related to the Ownership of Our Common Stock

The market price of our stock may be volatile.

The trading price of our common stock has been and is likely to continue to be volatile. Since shares of our common stock were sold in our initial public offering in September 2013, our closing stock price as reported on The NASDAQ Global Market and The NASDAQ Global Select Market has ranged from $8.49 to $22.99, through May 5, 2014. The following factors, in addition to other risk factors described in this section and elsewhere in this report, may have a significant impact on the market price of our common stock:

- the success of competitive products or technologies;
- regulatory actions with respect to our products or our competitors' products;
- actual or anticipated changes in our growth rate relative to our competitors;

- announcements by us or our competitors of significant acquisitions, strategic collaborations, joint ventures, collaborations or capital commitments;
- results of clinical trials of our product candidates or those of our competitors;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;
- the level of expenses related to any of our product candidates or clinical development programs;
- the results of our efforts to in-license or acquire additional product candidates or products;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- announcements or expectations of additional financing efforts;
- sales of our common stock by us, our insiders or our other stockholders;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors; and
- general economic, industry and market conditions.

In addition, the stock market in general, and The NASDAQ Global Select Market and biotechnology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance. The realization of any of the above risks or any of a broad range of other risks, including those described in this "Risk Factors" section, could have a dramatic and material adverse impact on the market price of our common stock.

We may be subject to securities litigation, which is expensive and could divert management attention.

The market price of our common stock may be volatile, and in the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

Our principal stockholders and management own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.

As of March 31, 2014, our executive officers, directors, holders of 5% or more of our capital stock and their respective affiliates beneficially own approximately 23.0% of our common stock. This significant concentration of share ownership may adversely affect the trading price of our common stock because investors often perceive disadvantages in owning stock in companies with controlling stockholders. As a result, these stockholders, acting together, could significantly influence all matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other business combination transactions. The interests of these stockholders may not always coincide with our interests or the interests of other stockholders.

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and will be able to avail ourselves of reduced disclosure requirements applicable to emerging growth companies, which could make our common stock less attractive to investors and adversely affect the market price of our common stock.

For so long as we remain an "emerging growth company" as defined in the JOBS Act, we may take advantage of certain exemptions from various requirements applicable to public companies that are not "emerging growth companies" including:

- the provisions of Section 404(b) of the Sarbanes-Oxley Act of 2002 requiring that our independent registered public accounting firm provide an attestation report on the effectiveness of our internal control over financial reporting;

- the "say on pay" provisions (requiring a non-binding shareholder vote to approve compensation of certain executive officers) and the "say on golden parachute" provisions (requiring a non-binding shareholder vote to approve golden parachute arrangements for certain executive officers in connection with mergers and certain other business combinations) of the Dodd-Frank Act and some of the disclosure requirements of the Dodd-Frank Act relating to compensation of our chief executive officer;
- the requirement to provide detailed compensation discussion and analysis in proxy statements and reports filed under the Exchange Act and instead provide a reduced level of disclosure concerning executive compensation; and
- any rules that the Public Company Accounting Oversight Board may adopt requiring mandatory audit firm rotation or a supplement to the auditor's report on the financial statements.

We may take advantage of these exemptions until we are no longer an "emerging growth company." We would cease to be an "emerging growth company" upon the earliest of: (i) the first fiscal year following the fifth anniversary of our initial public offering; (ii) the first fiscal year after our annual gross revenues are $1 billion or more; (iii) the date on which we have, during the previous three-year period, issued more than $1 billion in non-convertible debt securities; or (iv) as of the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded $700 million as of the end of the second quarter of that fiscal year.

We currently intend to take advantage of some, but not all, of the reduced regulatory and reporting requirements that will be available to us under the JOBS Act so long as we qualify as an "emerging growth company." For example, we have irrevocably elected not to take advantage of the extension of time to comply with new or revised financial accounting standards available under Section 102(b) of the JOBS Act. Our independent registered public accounting firm will not be required to provide an attestation report on the effectiveness of our internal control over financial reporting so long as we qualify as an "emerging growth company," which may increase the risk that material weaknesses or significant deficiencies in our internal control over financial reporting go undetected. Likewise, so long as we qualify as an "emerging growth company," we may elect not to provide you with certain information, including certain financial information and certain information regarding compensation of our executive officers, that we would otherwise have been required to provide in filings we make with the Securities and Exchange Commission, or SEC, which may make it more difficult for investors and securities analysts to evaluate us. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock, and our stock price may be more volatile and may decline.

We incur increased costs as a result of operating as a public company, and our management devotes substantial time to new compliance initiatives.

As a public company, we incur significant legal, accounting and other expenses, and these expenses may increase even more after we are no longer an "emerging growth company." We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Protection Act, as well as rules adopted, and to be adopted, by the SEC and The NASDAQ Global Select Market. Our management and other personnel devote a substantial amount of time to these compliance initiatives. Moreover, we expect these rules and regulations to substantially increase our legal and financial compliance costs and to make some activities more time-consuming and costly. The increased costs will increase our net loss. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to incur substantial costs to maintain the sufficient coverage. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

Sales of a substantial number of shares of our common stock in the public market by our existing stockholders could cause our stock price to fall.

Sales of a substantial number of shares of our common stock in the public market or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales may have on the prevailing market price of our common stock. Certain of our existing stockholders are subject to lock-up agreements with the underwriters of our Follow-on Public Offering that restrict the stockholders' ability to transfer shares of our common stock during the lock-up period. Subject to limitations, at the close of trading on May 7, 2014, approximately 6,774,130 shares, which are currently subject to lock-up agreements, will become eligible for sale.

Some of the holders of our securities are entitled to rights with respect to the registration of their shares under the Securities Act of 1933, as amended, or the Securities Act, subject to the lock-up arrangements described above. Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares held by our affiliates, as defined in Rule 144 under the Securities Act. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

We are subject to the periodic reporting requirements of the Exchange Act. We designed our disclosure controls and procedures to reasonably assure that information we must disclose in reports we file or submit under the Exchange Act is accumulated and communicated to management, and recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected.

Some provisions of our charter documents and Delaware law may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would benefit our stockholders, and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law, could make it more difficult or costly for a third party to acquire us, even if doing so would benefit our stockholders, and could make it more difficult to remove our current management. These provisions include:

- authorizing the issuance of "blank check" preferred stock, the terms of which we may establish and shares of which we may issue without stockholder approval;
- prohibiting cumulative voting in the election of directors, which would otherwise allow for less than a majority of stockholders to elect director candidates;
- prohibiting stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders;
- eliminating the ability of stockholders to call a special meeting of stockholders; and
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, who are responsible for appointing the members of our management. Because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the General Corporation Law of the State of Delaware, or the DGCL, which may discourage, delay or prevent someone from acquiring us or merging with us whether or not it is desired by or beneficial to our stockholders. Under the DGCL, a corporation may not, in general, engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the board of directors has approved the transaction. Any provision of our amended and restated certificate of incorporation or amended and restated bylaws or Delaware law that has the effect of delaying or deterring a change of control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sales of Unregistered Equity Securities

In June 2004, pursuant to the terms of an equipment loan and security agreement, we issued a fully exercisable warrant to the lender for the purchase of 2,304 shares of Series A convertible preferred stock at an exercise price of $12.30 per share. In January 2014, the warrant was automatically net exercised upon expiration for a total of 768 shares. The issuance of these shares was exempt from the registration requirements of the Securities Act in reliance on Section 4(2) of the Securities Act, including Regulation D and Rule 506 promulgated thereunder, as a transaction by an issuer not involving a public offering.

In March 2014, in connection with entering into the immuno-oncology collaboration, BMS purchased from us and we issued to BMS 994,352 shares of our common stock at a price per share of $21.16. The issuance of these shares was exempt from the registration requirements of the Securities Act in reliance on Section 4(2) of the Securities Act, including Regulation D and Rule 506 promulgated thereunder, as a transaction by an issuer not involving a public offering.

Use of Proceeds

Initial Public Offering

On September 23, 2013, we completed our IPO and issued 4,800,000 shares of our common stock at an initial offering price of $13.00 per share. On September 26, 2013, we sold an additional 720,000 shares of common stock directly to our underwriters when they exercised their over-allotment option in full at the initial offering price of $13.00 per share. We received net proceeds from the IPO of approximately $63.8 million, after deducting underwriting discounts and commissions of approximately $5.0 million and expenses of approximately $2.9 million. None of the expenses associated with the IPO were paid to directors, officers, persons owning 10% or more of any class of equity securities, or to their associates, or to our affiliates, other than payments in the ordinary course of business to officers for salaries. Jefferies LLC, BMO Capital Markets and Wells Fargo Securities, LLC acted as joint book-running managers and Guggenheim Securities, LLC acted as co-manager for the offering.

Shares of our common stock began trading on the NASDAQ Global Market on September 18, 2013. The shares were registered under the Securities Act on Registration Statements on Form S-1 (Registration Nos. 333-190194 and 333-191222).

There has been no material change in the planned use of proceeds from our IPO as described in our final prospectus dated September 18, 2013, filed with the SEC pursuant to Rule 424(b)(4) pursuant to the Securities Act.

Follow-on Public Offering

On February 12, 2014, we completed our Follow-on Public Offering and issued 3,450,000 shares of our common stock at an offering price of $12.50 per share, which includes shares we issued pursuant to our underwriters' exercise of their over-allotment option. We received net proceeds from the Follow-on Public Offering of approximately $40.1 million, after deducting underwriting discounts and commissions of approximately $2.6 million and estimated expenses of approximately $0.4 million. None of the expenses associated with the Follow-on Public Offering were paid to directors, officers, persons owning 10% or more of any class of equity securities, or to their associates, or to our affiliates, other than payments in the ordinary course of business to officers for salaries. Jefferies LLC, BMO Capital Markets and Wells Fargo Securities, LLC acted as joint book-running managers and Guggenheim Securities, LLC acted as co-manager for the offering.

The shares of our common stock began trading on the NASDAQ Global Select Market on February 7, 2014. The shares were registered under the Securities Act on Registration Statements on Form S-1 (Registration No. 333-193491).

There has been no material change in the planned use of proceeds from our Follow-on Public Offering as described in our final prospectus dated February 7, 2014, filed with the SEC pursuant to Rule 424(b)(4) pursuant to the Securities Act.

As of March 31, 2014, we have used approximately $7.3 million of the net offering proceeds from our IPO and our Follow-on Public Offering primarily to fund pre-clinical and clinical activities for FPA008 and pre-clinical activities for FPA144.

Item 6. Exhibits

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index, which are incorporated herein by reference.

SIGNATURES

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

Five Prime Therapeutics, Inc.
(Registrant)

Date: May 12, 2014

/s/ Lewis T. Williams
Lewis T. Williams
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 12, 2014

/s/ Marc L. Belsky
Marc L. Belsky
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-36070), as filed with the SEC on September 23, 2013).
3.2	Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3.4 to the Company's Registration Statement on Form S-1 (File No. 333-190194), as filed with the SEC on July 26, 2013).
4.1	Specimen Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 333-190194), as filed with the SEC on September 4, 2013).
10.1*	Research Collaboration and License Agreement, dated as of March 14, 2014, by and between the Company and Bristol-Myers Squibb Company.
31.1*	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1*	Certifications of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certifications of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101**	Financial statements from the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Statements of Stockholders' Deficit, (iv) the Consolidated Statements of Cash Flow and (v) Notes to Consolidated Financial Statements.

* Filed herewith.

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

CONFIDENTIAL **EXECUTION COPY**

***** INDICATES MATERIAL THAT WAS OMITTED AND FOR WHICH CONFIDENTIAL TREATMENT WAS REQUESTED. ALL SUCH OMITTED MATERIAL WAS FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24b-2 PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.**

Research Collaboration and License Agreement

This Research Collaboration and License Agreement (this "Agreement"), effective as of March 14, 2014 (the "Effective Date"), is entered into by and between Bristol-Myers Squibb Company, a Delaware corporation have a place of business at 345 Park Avenue, New York, New York 10154 ("BMS"), and Five Prime Therapeutics, Inc., a Delaware corporation having a place of business at 2 Corporate Drive, South San Francisco, California 94080 ("FivePrime"). BMS and FivePrime are referred to individually as a "Party" and collectively as the "Parties."

Recitals

WHEREAS, FivePrime has developed a proprietary protein library and proprietary technologies for screening, identifying, validating and characterizing target proteins involved in human diseases, and for the development of therapeutic candidates directed to or against such proteins or incorporating or deriving from such proteins, for treatment of human diseases;

WHEREAS, BMS is a biopharmaceutical company engaged in the research, development, manufacture and commercialization of human therapeutic products;

WHEREAS, BMS and FivePrime desire to enter into a research collaboration to use FivePrime's proprietary protein library and technologies to screen for, identify, validate, characterize and advance Collaboration Targets (as defined below), upon the terms and conditions set forth herein;

WHEREAS, BMS desires to obtain a license under certain of FivePrime's intellectual property for the further research, development and commercialization of Products (as defined below), and FivePrime desires to grant such a license, upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing premises and the covenants herein contained, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Definitions. Unless specifically set forth to the contrary herein, the following terms, whether used in the singular or plural, have the respective meanings set forth below.

1.1 "Additional Collaboration Target" means each *** and *** that is identified by FivePrime and/or BMS in the performance of the Research Program during the Research Term and that is selected by BMS pursuant to Section 4.2.2. For clarity, Additional Collaboration Targets exclude any *** or *** selected by BMS as Included Collaboration Targets pursuant to Section 4.2.1.

1.2 "Affiliate" means, with respect to a Party, any Entity that controls, is controlled by, or is under common control with that Party. For the purpose of this definition, "control" means direct or indirect ownership of more than 50% of the shares of stock entitled to vote for the election of directors, in the case of a corporation, or more than 50% of the equity interest in the case of any other type of legal entity, status as a general partner in any partnership, or any other similar arrangement whereby such Entity controls or has the right to control the board of directors or equivalent governing body of such Entity, or the ability to cause the direction of the management or policies of such Entity.

1.3 "Agreement" has the meaning set forth in the preamble of this Agreement.

1.4 "Alliance Manager" has the meaning set forth in Section 2.1.3.

1.5 "Antibody" means any antibody or protein comprising at least one complementarity determining region (CDR) portion thereof (including bispecific antibodies, single chain antibodies and domain antibodies) and/or similar binding protein, whether polyclonal, monoclonal, human, humanized, chimeric, murine, synthetic or from any other source.

1.6 "Approval" means any and all approvals (including BLAs, supplements, amendments, pre- and post-approvals, pricing and reimbursement approvals), licenses, registrations or authorizations of any Regulatory Authority, national, supra-national (e.g., the European Commission or the Council of the EU), regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity, that are necessary for the manufacture, distribution, use or sale of a Product in a regulatory jurisdiction

1.7 "Arbitration" has the meaning set forth in Section 14.6.1.

1.8 "Biosimilar Product" means in a particular country with respect to a Product that contains a Compound that is a protein or peptide, any pharmaceutical product that: (a) has received all necessary approvals by the applicable Regulatory Authorities in such country to market and sell such product as a pharmaceutical product; (b) is marketed or sold by a Third Party that has not obtained the rights to market or sell such product as a licensee, sublicensee or distributor of BMS or any of its Affiliates, licensees or sublicensees with respect to such product; and (c) is approved as a (i) "biosimilar" (in the United States) of such Product, (ii) as a "similar biological medicinal product" (in the EU) with respect to which such Product is the "reference medicinal product" or (iii) if not the US or EU, as the foreign equivalent of a "biosimilar" or "similar biological medicinal product" of such Product; in each case for use in such country pursuant to an expedited regulatory approval process governing approval of generic biologics based on the then-current standards for regulatory approval in such country (*e.g.*, the Biologics Price Competition and Innovation Act of 2009 or an equivalent under foreign law) and where such regulatory approval was based in significant part upon clinical data generated by BMS (or its Affiliate or sublicensee) with respect to such Product.

1.9 "BLA" means a Biological License Application (as defined by the FDA) or its foreign equivalent (or any successor application having substantially the same function).

1.10 "BMS" has the meaning set forth in the preamble of this Agreement.

1.11 "BMS Background Know-How" means all Know-How Controlled by BMS that was discovered, developed, made, generated or invented outside of the performance of the Research Program and that is not Collaboration Know-How.

1.12 "BMS Background Patents" means each Patent Controlled by BMS that arose from inventions discovered outside of the performance of the Research Program and that is not a BMS Existing Compound Patent or a Collaboration Compound Patent.

1.13 "BMS Excluded Compound" means:

1.13.1. any Compound Controlled by BMS that is (or was) discovered or generated or derived to bind to and modulate a BMS Excluded Protein(s) (including for purposes of clarity, the BMS Excluded Protein itself);

1.13.2. any fusion protein comprising all or a part of ***, for example, all or a part of an extracellular domain of ***, or a variant thereof, linked directly or indirectly to another molecule, for example, a portion of an immunoglobulin molecule;

1.13.3. any Compound Controlled by BMS (or where BMS otherwise has the right to obtain such Control) that is (or was) discovered or generated or derived to bind to and modulate *** (including *** itself) *** prior to the Effective Date;

1.13.4. any Compound Controlled by BMS that (A) was discovered or generated or derived to bind to and modulate *** or *** for use outside the field of Immuno-Oncology, (B) is not Covered by a Valid Claim within the Licensed IP or Collaboration Compound Patents, and (C) is either (X) in-licensed or acquired by BMS subsequent to the Effective Date or (Y) is being developed or commercialized by BMS outside of the field of Immuno-Oncology (and is not a BMS I-O Crossover Compound); and

1.13.5. any Compound Controlled by BMS that (A) is (or was) discovered or generated or derived to bind to and modulate a Terminated Target that was a *** or a *** (including the *** or *** itself), (B) is not Covered by a Valid Claim within the Licensed IP or Collaboration Compound Patents, and (C) either (X) is in-licensed or acquired by BMS subsequent to the date which is *** after the date that such Terminated Target became a Terminated Target and with respect to which BMS files an IND prior to the date which is *** subsequent to the date BMS such in-licensed or acquired such Compound, or (Y) is being developed or commercialized by BMS outside of the field of Immuno-Oncology (and is not a Third Party I-O Crossover Compound).

1.14 "BMS Excluded Proteins" mean the proteins, that BMS disclosed to FivePrime under the Pre-Existing NDA on the Effective Date, with respect to which BMS has active and ongoing proprietary internal discovery and development programs.

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1.15 "BMS Existing Compound Patent" means any and all Patents Controlled by BMS as of the Effective Date that claim a Compound being developed or commercialized by BMS outside of the field of Immuno-Oncology.

1.16 "BMS I-O Crossover Compound" has the meaning set forth in Section 8.3.3(a)(i).

1.17 "BMS Indemnitee" has the meaning set forth in Section 13.1.

1.18 "BMS Losses" has the meaning set forth in Section 13.1.

1.19 "BMS Pre-Existing Compounds" mean the Compounds Controlled by BMS as of the Effective Date that were discovered or generated or derived to bind to and modulate *** or ***. On the Effective Date, BMS disclosed to FivePrime a list of BMS Pre-Existing Compounds under the Pre-Existing NDA.

1.20 "Business Day" means any day other than (i) a Saturday, (ii) a Sunday or (iii) any day on which banks in the State of New York are permitted or required to close by Law.

1.21 "Budget" is defined in Section 3.2.1.

1.22 "Calendar Quarter" means the respective periods of three consecutive calendar months ending on March 31, June 30, September 30 and December 31.

1.23 "Calendar Year" means a successive period of 12 calendar months commencing on January 1 and ending on December 31.

1.24 "Chief Patent Counsels" has the meaning set forth in Section 2.3.3.

1.25 "Clinical Trial" means a Phase 1 Trial, Phase 2 Trial, or Phase 3 Trial.

1.26 "Collaboration Compound Know-How" means any and all Know-How that: (i) relates specifically to a Compound or Product, including the composition of matter, method of use, method of manufacture, or formulation of a Compound or Product; and (ii) is discovered, developed, made, generated or invented by or on behalf of either Party or both Parties (a) in the performance of the Research Program during the Research Term or (b) based on or conceived or reduced to practice using the results obtained from the performance of the Research Program, but in each case excluding any FivePrime Platform Technology, BMS Background Know-How, Collaboration Target Know-How and Collaboration Other Know-How.

1.27 "Collaboration Compound Patents" means any and all Patents that claim a Compound or Product, including the composition of matter, method of use, method of manufacture, or formulation of a Compound or Product, and that either (A) are Controlled by BMS during the Term, or (B) claim an invention discovered, developed, made, generated or

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invented by or on behalf of either Party or both Parties (i) in the performance of the Research Program during the Research Term or (ii) based on or conceived or reduced to practice using the results obtained from the performance of the Research Program; but in each case ((A) and (B)) excluding: any BMS Existing Compound Patents, FivePrime Patents existing as of the Effective Date, and FivePrime Platform Patents.

1.28 "Collaboration IP" means the Collaboration Know-How and Collaboration Patents.

1.29 "Collaboration Know-How" means Collaboration Compound Know-How, Collaboration Target Know-How and Collaboration Other Know-How.

1.30 "Collaboration Other Know-How" means any and all Know-How discovered, developed, made, generated or invented by or on behalf of either Party or both Parties (i) in the performance of the Research Program during the Research Term or (ii) based on or conceived or reduced to practice using the results obtained from the performance of the Research Program, including all data, information, Screening Assays or other tools generated or developed in the course of the Research Program, but in each case excluding any FivePrime Platform Technology and BMS Background Know-How.

1.31 "Collaboration Other Patents" means any and all Patents that claim an invention discovered, developed, made, generated or invented by or on behalf of either Party or both Parties (i) in the performance of the Research Program during the Research Term or (ii) based on or conceived or reduced to practice using the results obtained from the performance of the Research Program, including Screening Assays or other tools generated or developed in the course of the Research Program, but in each case excluding any FivePrime Patent existing as of the Effective Date, any FivePrime Platform Patents, any Collaboration Target Patent and any BMS Background Patents.

1.32 "Collaboration Patents" means the Collaboration Compound Patents, Collaboration Target Patents and Collaboration Other Patents.

1.33 "Collaboration Target" means: (i) each Included Collaboration Target and (ii) each Additional Collaboration Target.

1.34 "Collaboration Target Know-How" means any and all Know-How that: (i) relates to (X) a Collaboration Target or (Y) the use of compounds or products discovered or generated or derived to bind to and modulate such Collaboration Target; and (ii) is discovered, developed, made, generated or invented by or on behalf of either Party or both Parties (a) in the performance of the Research Program during the Research Term or (b) based on or conceived or reduced to practice using the results obtained from the performance of the Research Program, but in each case excluding any FivePrime Platform Technology and BMS Background Know How.

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1.35 "Collaboration Target Patents" means any and all Patents that claim an invention discovered, developed, made, generated or invented by or on behalf of either Party or both Parties (i) in the performance of the Research Program during the Research Term, or (ii) based on or conceived or reduced to practice using the results obtained from the performance of the Research Program (including any Protein identity), or (iii) that are Controlled by FivePrime prior to the Effective Date and that relate to (X) a Collaboration Target or (Y) the use of compounds or products discovered or generated or derived to bind to and modulate such Collaboration Target, but in each case excluding any BMS Existing Compound Patent, Collaboration Compound Patent, any FivePrime Platform Patent and any BMS Background Patents. The Collaboration Target Patents in existence as of the Effective Date are set forth on Schedule 1.35.

1.36 "Combination Product" means: (i) a product that contains at least one Compound or Product and at least one additional therapeutically active ingredient that is not a Compound or Product; or (ii) a product consisting of one or more separate drugs, devices, tests, kits or biological products and sold together with a Product in a single package or as a unit.

1.37 "Commercial License" means the license granted to BMS pursuant to Section 6.1.2.

1.38 "Commercially Reasonable Efforts" means: (i) with respect to FivePrime's obligations under this Agreement, the carrying out of such obligations or tasks with a level of effort and resources consistent with the commercially reasonable practices normally devoted by a similarly situated biotechnology company, subject to and in accordance with the terms and conditions of this Agreement; and (ii) where applied to the development or commercialization activities by BMS hereunder, the efforts and resources that BMS would use as part of an active and continuing program of development or commercialization of a pharmaceutical product owned by BMS, of a market potential similar to the market potential of a Product under evaluation, at a similar stage of its product life, taking into account the establishment of the Product in the marketplace, the competitiveness of the marketplace, the proprietary position of the Product, the regulatory status involved, the pricing and launching strategy and the relative safety and efficacy of the Product. "Commercially Reasonable Efforts" of a Party shall require that such Party (on its own or acting through any of its Affiliates, sublicensees or subcontractors), at a minimum: (a) promptly assign responsibility for such obligations to qualified employees, set annual goals and objectives for carrying out such obligations, and monitor and hold employees accountable for progress with respect to such goals and objectives; (b) set and seek to achieve specific and meaningful objectives for carrying out such obligations; and (c) make and implement decisions and allocate resources designed to diligently advance progress with respect to such objectives.

1.39 "Compound" means any protein, including any Antibody or similar protein or adnectin, any peptide or similar molecule, or any chemical compound.

1.40 "Compound Patent" means BMS Existing Compound Patents and Collaboration Compound Patents.

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1.41 "Confirmed Hit" means any *** or ***, other than an Initial Included Collaboration Target, that: (i) is identified by FivePrime and/or BMS during the performance of the Research Program during the Research Term as a Hit; (ii) meets the confirmatory criteria determined by the Working Group (and approved by the JRC), including, for example, confirmation with recombinant protein or through specificity or affinity analyses or activity in a secondary assay; and (iii) is not an Excluded Protein.

1.42 "Confirmed Hit Data" has the meaning set forth in Section 4.1.

1.43 "Confidential Information" has the meaning set forth in Section 9.1.

1.44 "Contractor" has the meaning set forth in Section 3.4.

1.45 "Consideration Period" shall mean with respect to a Confirmed Hit that becomes a Non-Selected Target the time period that elapsed between identification as a Confirmed Hit until the date that such Confirmed Hit became a Non-Selected Target.

1.46 "Controlled" means with respect to any Know-How, Patent, Compound, Material or other tangible or intangible intellectual property, the possession of (whether by ownership or license, other than licenses granted pursuant to this Agreement) or the ability of a Party to (i) grant to the other Party access to, ownership of, or a license or sublicense under, such Know-How, Patent, Compound, Material or other intellectual property, in each case as provided under this Agreement, or (ii) make, use, sell, offer for sale or import a Compound or Product; in each case without violating the terms of any agreement or other arrangement with any Third Party.

1.47 "Covers" means: (i) with respect to a Patent and a Compound or Product, that the making, use, sale, offer for sale or importation of such Compound or Product would infringe a Valid Claim of such Patent in the country in which the activity occurred, but for the ownership of such Patent or licenses granted in this Agreement; and (ii) with respect to a Compound Patent and a Compound or Product, that the making, use, sale, offer for sale or importation of such Compound or Product would, but for the possession of the right (through ownership, license or otherwise) to practice the inventions claimed in such Compound Patents, infringe a Valid Claim of such Compound Patent in the country in which the activity occurred.

1.48 "Derivative Compound" means a derivative or modification of a Compound including (A) with respect to an antibody or similar protein, an antibody or similar protein with at least one complementarity determining regions (CDRs) that is at least *** identical (based on the amino acid sequence) to the CDRs of the original Compound; (B) with respect to an ECD-Fc fusion protein, an ECD-Fc fusion protein with an ECD portion of the protein that is at least *** identical (based on the amino acid sequence) to the ECD portion of the original Compound; (C) with respect to a peptide, a peptide that is at least *** identical (based on the amino acid sequence) to the original Compound; and (D) with respect to a chemical compound that is not a protein or peptide, a chemical compound that is a salt, ester, polymorphic, stereoisomer, or prodrug of the original parent Compound.

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1.49 "Disclosing Party" has the meaning set forth in Section 9.1.

1.50 "Dollar" "dollar" or "$" means the legal tender of the United States.

1.51 "Effective Date" has the meaning set forth in the preamble of this Agreement.

1.52 "EMA" means the European Medicines Agency, or any successor thereof performing substantially the same functions.

1.53 "Entity" means a partnership, limited partnership, limited liability partnership, corporation, limited liability company, business trust, joint stock company, trust, incorporated association, joint venture or similar entity or organization.

1.54 "EU" means the European Union, as its membership may be altered from time to time, any successor thereto and any country included therein.

1.55 "Excluded Claim" has the meaning set forth in Section 14.6.9.

1.56 "Excluded Protein" has the meaning set forth in Section 5.1.

1.57 "Excluded Protein List" means the list of Excluded Proteins provided from time to time by FivePrime to BMS under Section 5.2, which FivePrime shall identify for BMS only by their FivePrime internal tracking number.

1.58 "FDA" means the United States Food and Drug Administration, or any successor entity thereof performing substantially the same functions.

1.59 "Field" means all indications and uses, including the diagnosis, prevention, and treatment of human diseases and human conditions.

1.60 "First Commercial Sale" means, with respect to a particular Product in a particular country, the first sale of such Product in such country following the receipt of Marketing Authorization.

1.61 "FivePrime" has the meaning set forth in the preamble of this Agreement.

1.62 "FivePrime Know-How" means all Know-How that is Controlled by FivePrime during the Term that is necessary or reasonably useful for the discovery, research, development, manufacture or commercialization of Compounds or Products in the Field but excluding (i) any FivePrime Platform Technology and (ii) any Know-How Controlled by a Third Party that enters into a Strategic Transaction with FivePrime subsequent to the Effective Date (with such Control being determined immediately prior to the date such Strategic Transaction closes).

1.63 "FivePrime Patents" means each Patent that is Controlled by FivePrime during the Term that claims a Protein, Compound or Product (including in each case its composition,

formulation, combination, product by process, or method of use, manufacture, preparation or administration), or otherwise claiming inventions that are necessary or reasonably useful for the discovery, research, development, manufacture or commercialization of Compounds or Products in the Field, but in each case excluding (i) any Patents Controlled by a Third Party that enters into a Strategic Transaction with FivePrime subsequent to the Effective Date (with such Control being determined immediately prior to the date such Strategic Transaction closes), (ii) any Collaboration Compound Patent, (iii) any Collaboration Target Patent, and (iv) any Collaboration Other Patent.

1.64 "FivePrime Indemnitee" has the meaning set forth in Section 13.2.

1.65 "FivePrime Library" means FivePrime's proprietary protein library existing as of the Effective Date (and including any modifications or improvements thereto existing at the time the applicable Screening Assay is conducted), comprising (a) ***; and (b) ***.

1.66 "FivePrime Losses" has the meaning set forth in Section 13.2.

1.67 "FivePrime Platform Patent" means any Patent included in the FivePrime Platform Technology.

1.68 "FivePrime Platform Technology" means any and all Patents, Materials and Know-How Controlled by FivePrime pertaining to: (i) the FivePrime Library; (ii) the design, composition, and methods of generating or screening the FivePrime Library; (iii) FivePrime's protein expression technology; (iv) FivePrime's *in vivo* or *in vitro* screening technology, including the Rapid *In Vivo* Protein Production System (RIPPS[SM]) technology; and (v) any bioinformatics software applications used in connection with the foregoing, but excluding in each case any Patents, Materials and Know-How specifically and directly related to a specific Protein or its biological activity, function or utility.

1.69 "FTE" means the equivalent of the work of one appropriately qualified individual working on a full-time basis (i.e. a forty (40) hour workweek) in performing work in support of the Research Program for a 12-month period. During any given period of time, in the event that a person devotes less than one hundred percent (100%) of his or her work during such period of time toward support of the Research Program, such person's efforts shall be treated as an FTE solely with respect to the period of time spent by such person in support of the Research Program on a pro rata basis as compared to the time spent by such person on other endeavors. FTE efforts shall not include the work of general corporate or administrative personnel. For clarity, one FTE's work may be carried out by one or more employees of FivePrime as part of the Research Program.

1.70 "FTE Rate" means a rate of *** per FTE per annum for FTEs engaged in the conduct of research activities as part of the Research Program.

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1.71 "Generic Product" means in a particular country with respect to a Product that contains a Compound that is a chemical compound that is not a protein or peptide, any pharmaceutical product that: (i) has received all necessary approvals by the applicable Regulatory Authorities in such country to market and sell such product as a pharmaceutical product; (ii) is marketed or sold by a Third Party that has not obtained the rights to market or sell such product as a licensee, sublicensee or distributor of BMS or any of its Affiliates, licensees or sublicensees with respect to such product; and (iii) is approved for use in such country pursuant to an expedited regulatory approval process governing approval of generic chemical compounds based on the then-current standards for regulatory approval in such country (e.g., 21 U.S.C. 355(b)(2) or an abbreviated new drug application, or a relevant equivalent under foreign law) and where such regulatory approval was based in significant part upon clinical data generated by BMS (or its Affiliate or sublicensee) with respect to such Product.

1.72 "Hit" means, with respect to a particular Screening Assay, a Protein (or fragment thereof) that: (i) when tested by FivePrime and/or BMS in such Screening Assay, meets or exceeds the threshold for activity or inhibition determined by the Working Group, which result was reproduced upon at least one retest in such Screening Assay; and (ii) is not an Excluded Protein or a protein that was publicly known to be a *** or a *** prior to it being identified as a Hit by FivePrime.

1.73 "Immuno-Oncology", "I-O" shall mean the treatment of (and not merely prevention or any vaccine against) cancer through the targeting of the host immune system to modulate and counteract immune attenuation pathways that allow for tumor escape from immune system recognition and destruction.

1.74 "Included Collaboration Target" means: (i) each Initial Included Collaboration Target and (ii) up to *** additional *** and up to *** additional *** identified by FivePrime and/or BMS in the performance of the Research Program and selected by BMS as Included Collaboration Targets pursuant to Section 4.2.1.

1.75 "IND" means any investigational new drug application filed with the FDA pursuant to Part 312 of Title 21 of the U.S. Code of Federal Regulations, including any amendments thereto. References herein to IND shall include, to the extent applicable, any comparable filing(s) outside of the U.S. (such as a CTA in the European Union).

1.76 "Initial Included Collaboration Target" means each of *** and ***.

1.77 "Initiation" means with respect to a Clinical Trial, the (i) administration of the first dose of the relevant Product to the first human subject in such Clinical Trial; or (ii) in the case of a blinded, controlled Clinical Trial, the administration of the first dose of such Product, placebo or comparator drug, as the case may be, to the first human subject in such Clinical Trial.

1.78 "JAMS Rules" has the meaning set forth in Section 14.6.1.

1.79 "JRC" has the meaning set forth in Section 2.2.

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1.80 "Know-How" means any tangible and intangible information, data, results (including pharmacological, research and development data, reports and batch records), and materials, discoveries, improvements, inventions, compositions of matter, cell lines, assays, sequences, processes, methods, knowledge, protocols, formulas, utility, formulations, inventions (whether patentable or not), strategy, know-how and trade secrets, and all other scientific, pre-clinical, clinical, regulatory, manufacturing, marketing, financial and commercial information or data, in each case that either Party has treated as confidential or proprietary information and that is not generally known by the public, but excluding any of the foregoing to the extent claimed in any Patents.

1.81 "Law" means any federal, state, local, foreign or multinational law, statute, ordinance, code, rule, regulation, resolution, or order of any government authority in the Territory, or any similar provision having the force or effect of law.

1.82 "License Maintenance Fee" has the meaning set forth in Section 8.2.2.

1.83 "Licensed Compound" means each Compound, and any Derivative Compound thereof, excluding in each case any BMS Excluded Compound, that is discovered or generated or derived to bind to and modulate a Collaboration Target (including the Collaboration Target itself) and that: (X) is Controlled by BMS or FivePrime as of the Effective Date; (Y) is discovered or generated or derived by BMS and/or FivePrime during the performance of the Research Program during the Research Term; or (Z) is Controlled by BMS during the Term and that is Covered by a Valid Claim within the Licensed IP or the Collaboration Compound Patents. For clarity, Licensed Compound shall include BMS I-O Crossover Compounds, Third Party I-O Crossover Compounds and Post-Termination Compounds. Notwithstanding anything in this Agreement to the contrary, Licensed Compound shall not include any BMS Excluded Compound.

1.84 "Licensed IP" means the FivePrime Patents, FivePrime Know-How, and FivePrime's interest in the Collaboration IP, in each case that are necessary or reasonably useful to research, develop, make, have made, use, sell, offer for sale, export or import Licensed Compounds or Products in the Field in the Territory.

1.85 "Major Markets" means the United States, United Kingdom, Germany, France, Spain, and Italy.

1.86 "Marketing Authorizations" means all approvals necessary from the relevant Regulatory Authority to permit a Party or its sublicense(s) to market and sell a Compound or Product in a particular country, including approval of an NDA or BLA.

1.87 "Materials" means any proprietary compounds, cell lines, animals, biological materials, research tools, or other tangible materials (including any such materials that constitute or are directly related to a Protein) that are Controlled by a Party or its Affiliates and that are used in connection with the performance of the Research Plan under this Agreement.

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1.88 "Materials Receiving Party" has the meaning set forth in Section 3.5.1.

1.89 "Materials Transferring Party" has the meaning set forth in Section 3.5.1.

1.90 "NDA" means a New Drug Application or similar application or submission in any country for approval to market a Product.

1.91 "Net Sales" means the actual gross amount invoiced by BMS, or its Affiliate or sublicensee, for sales or other commercial disposition of a Product, in an arms-length transaction to a Third Party purchaser (including distributors), less the following deductions to the extent directly applicable to such sales:

- normal and customary rebates, quantity, trade and cash discounts to customers actually allowed and properly taken;
- governmental and other rebates, chargebacks or administrative fees (or equivalents thereof) granted to managed health care organizations, pharmacy benefit managers (or equivalents thereof) or to national, federal, state, provincial, local and other governments, their respective agencies, purchasers and reimbursers or to trade customers actually allowed and properly taken;
- retroactive price reductions, credits or allowances actually granted upon rejections, destruction or returns of such Product, including for recalls or damaged goods;
- freight, postage, shipping and insurance charges actually allowed or paid for delivery of such Product, to the extent included in the gross sales price; wholesalers' distribution fees actually paid, and fees actually paid for services or commissions to Third Party distributors, brokers or agents, other than sales personnel, sales representatives and sales agents employed by or on behalf of BMS, its Affiliates or sublicensees (or any Person in which a sublicensee has, or which Person has in such sublicensee, at least the level of ownership or control required to meet the definition of "Affiliate" in Section 1.2);
- sales taxes, excise taxes, use taxes, import/export duties or other governmental charges actually due or incurred with respect to such sales, including (by way of example and without limitation) value-added taxes and fees due under the Affordable Health Care Act, in each case to the extent applicable with respect to such Product; and
- amounts actually written off as uncollectible to the extent consistent with BMS's, its Affiliate' or sublicensee's business practices for its other products (such amounts shall be added back to the Net Sales when actually collected) not to exceed *** (***) of BMS's gross sales for such Product.

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Any of the above deductions shall be permitted if incurred in the ordinary course of business in type and amount consistent with good industry practice and determined in accordance with generally accepted accounting principles on a basis consistent with BMS's audited consolidated financial statements.

Any Product *** shall not be included in Net Sales, provided that ***. Net Sales will not include transfers among BMS, its Affiliates, or sublicensees unless the recipient is the end purchaser.

If a Product is sold as part of a Combination Product, the Net Sales of such Product for the purpose of calculating royalties owed under this Agreement for sales of such Product, shall be determined as follows: first, BMS shall determine the actual Net Sales of such Combination Product (using the above provisions) and then such amount shall be multiplied by the fraction A/(A+B), where A is the average gross selling price in the applicable country of such Product sold separately, if sold separately, in the same formulation and dosage, and B is the sum of the average gross selling prices in the applicable country of each other active ingredient, drug, device, test, kit or biological product in the Combination Product sold separately, if sold separately, in the same formulation, dosage or unit quantity. If any active ingredient, drug, device, test, kit or biological product in the Combination Product is not sold separately in the relevant formulation, dosage or unit quantity, Net Sales shall be calculated by multiplying actual Net Sales of such Combination Product by the fraction A/C where A is the average gross selling price in the applicable country of such Product sold separately in the same formulation and dosage and C is the average gross selling price in the applicable country of such Combination Product. If neither the Product nor any other active ingredient, drug, device, test, kit or biological product in the Combination Product is sold separately in the relevant formulation, dosage or unit quantity, the adjustment to Net Sales shall be determined by the Parties in good faith to reasonably reflect the fair market value of the contribution of such Product in the Combination Product to the total fair market value of such Combination Product.

The average gross selling price for such other therapeutically active ingredient(s) contained in the Combination Product shall be calculated for each calendar year by dividing the sales amount by the units of such other product(s), as published by IMS or another independent source agreed upon by the Parties.

In the case of any other sale or other disposal for value, such as barter or counter trade, of any Product, or part thereof, other than in an arm's length transaction exclusively for money, Net Sales shall be calculated as above on the fair market value of the consideration given.

1.92 "Non-Selected Target" means each Confirmed Hit that BMS does not select (or rejects) as a Collaboration Target within the Option Period pursuant to Section 4.2.1 and Section 4.2.2, respectively.

1.93 "Option" means BMS's exclusive right (even with respect to FivePrime), during the Option Period, to designate Confirmed Hits as Included Collaboration Targets (in addition to the Initial Included Collaboration Targets) or Additional Collaboration Targets.

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1.94 "Option Period" means the period commencing on the Effective Date and continuing until the date that is *** after the end of the Research Term, during which BMS may exercise the Option.

1.95 "Outside Counsel" has the meaning set forth in 10.2.2(a).

1.96 "Party" or "Parties" has the meaning set forth in the preamble of this Agreement.

1.97 "Patent" means (i) an issued patent or pending patent application and any patent issuing therefrom, including any certificate of invention, application for certificate of invention, utility model, or application for utility model, provisional, converted provisional, non-provisional, divisional, continuation, continuation-in-part, and continued prosecution application; and (ii) any substitution, reissue, reexamination, renewal, confirmation, revalidation, extension and supplementary protection certificate with respect to any of the foregoing.

1.98 "Person" means any individual, unincorporated organization or association, governmental authority or agency, Entity or other entity not specifically listed herein.

1.99 "Phase 1 Trial" means a human clinical trial of a Product in any country that would satisfy the requirements of 21 C.F.R. § 312.21(a), or its foreign equivalent.

1.100 "Phase 2 Trial" means a human clinical trial of a Product in any country that would satisfy the requirements of 21 C.F.R. § 312.21(b). For clarity, a trial called a Phase 1/2 or Phase 1b/2 trial shall be considered a Phase 2 trial if it satisfies the requirements of 21 C.F.R. § 312.21(b).

1.101 "Phase 3 Trial" means a human clinical trial of a Product in any country that would satisfy the requirements of 21 C.F.R. § 312.21(c). For clarity, a trial called a Phase 2/3 trial shall be considered a Phase 3 trial if it satisfies the requirements of 21 C.F.R. § 312.21(c).

1.102 "Post-Termination Compound" shall mean any Compound Controlled by BMS (other than a BMS Excluded Compound) discovered or generated or derived to bind to and modulate a Terminated Target.

1.103 "Pre-Existing NDA" has the meaning set forth in Section 14.7.

1.104 "Product" means any pharmaceutical product containing a Licensed Compound (alone or with other active ingredients), in all forms, presentations, formulations and dosage forms that is directed toward a Collaboration Target.

1.105 "Product Infringement" has the meaning set forth in Section 10.3.1.

1.106 "Project Leader" has the meaning set forth in Section 2.1.2.

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1.107 "Protein" means: (a) a human protein together with all other proteins translated from mRNA splice variants transcribed from the same human chromosomal genomic locus encoding such protein; and (b) a protein that is at least *** percent (***%) identical to the amino acid sequence of the protein set forth in (a).

1.108 "Receiving Party" has the meaning set forth in Section 9.1.

1.109 "Regulatory Authority" means any applicable governmental regulatory authority involved in granting approvals for the marketing and sale of a Product, including the FDA and the EMA.

1.110 "Research Plan" means the research plan agreed by the Parties and previously disclosed to each Party under the Pre-Existing NDA, as such plan may be updated by the JRC in accordance with Section 2.2.4.

1.111 "Research Program" has the meaning set forth in Section 3.1.1.

1.112 "Research Term" means the period starting as of the Effective Date and ending on the third anniversary of the Effective Date and as such period may be extended for up to two additional one-year periods pursuant to Section 3.1.3.

1.113 "Restricted Period" shall mean the period from and after the date a Confirmed Hit became a Non-Selected Target until the later of (A) the date which is *** subsequent to such date, or (B) a period of time equivalent to the Consideration Period has elapsed.

1.114 "Reverted Target Know-How" has the meaning set forth in Section 6.1.6.

1.115 "Reverted Target Patent" has the meaning set forth in Section 6.1.6.

1.116 "Royalty Term" has the meaning set forth in Section 8.4.3.

1.117 "Safety Reasons" means it is BMS's or any of its Affiliates' or sublicensees' reasonable belief that based upon information that becomes available at any time (or an analysis of such information), that the medical risk/benefit of the continued development or commercialization of such Compound or Product is sufficiently unfavorable as to be incompatible with the welfare of patients.

1.118 "Screening Assay" means an assay that is designed and carried out pursuant to the Research Plan for screening the FivePrime Library (or a portion thereof as determined by the Working Group) for Hits that are *** or ***.

1.119 "Selection Fee" has the meaning set forth in Section 8.2.1.

1.120 "Stock Purchase Agreement" means the Stock Purchase Agreement, attached as Exhibit A, under which BMS shall purchase shares of Common Stock, par value $0.001 per share, of FivePrime.

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1.121 "Strategic Transaction" means, with respect to a Party, the occurrence of any of the following events: (i) the direct or indirect acquisition by any Third Party of more than fifty percent (50%) of the combined voting power of the then-outstanding voting securities of such Party normally entitled to vote in elections of directors; (ii) the sale, transfer, conveyance or other disposition of all or substantially all of such Party's assets to a Third Party, or (iii) the consummation of a merger, acquisition, consolidation or other similar transaction between or involving a Third Party and such Party (or the ultimate parent Entity that, immediately prior to the Strategic Transaction is closed, directly or indirectly controls such Party).

1.122 "Term" has the meaning set forth in Section 12.1.

1.123 "Terminated Target" means a Collaboration Target for which (i) BMS terminated its rights pursuant to Section 12.2, or (ii) BMS's rights were terminated pursuant to Section 12.3.

1.124 "Territory" means worldwide.

1.125 "Third Party" means any Person other than BMS, FivePrime and their respective Affiliates.

1.126 "Third Party Assay" means an assay or other research performed by FivePrime on behalf of a Third Party whereby such Third Party has or may obtain rights to Proteins or other intellectual property arising therefrom, as documented by a definitive written agreement with such Third Party.

1.127 "Third Party I-O Crossover Compound" has the meaning set forth in Section 8.3.3(a)(ii).

1.128 "Third Party Protein" means an Excluded Protein with respect to which FivePrime has reserved the right for a Third Party to research, develop or commercialize such Protein or any Compound or product directed to such Protein.

1.129 ***.

1.130 "*** Project" means the portion of the Research Plan designed to screen for, identify, validate *** and to generate, validate, characterize and advance *** or one or more of Compounds directed to *** or a ***.

1.131 "***" means a ***-Interacting-Protein.

1.132 "***" mean the *** identified by FivePrime prior to the Effective Date, named *** by FivePrime and corresponding to the genes that FivePrime shall disclose to BMS promptly after the Effective Date (to the extent not previously disclosed to BMS under the Pre-Existing NDA).

1.133 "U.S." or "United States" means the United States of America and all of its territories and possessions.

1.134 "Valid Claim" means: (i) a claim in an issued Patent that has not: (a) expired or been canceled; (b) been declared invalid by an unreversed and unappealable or unappealed decision of a court or other appropriate body of competent jurisdiction; (c) been admitted to be invalid or unenforceable through reissue, disclaimer or otherwise; or (d) been abandoned in accordance with or as permitted by the terms of this Agreement or by written agreement of the Parties; or (ii) a claim under any application for a Patent or any application for a Patent that, in each such case, has been pending *** or less from the date that the prosecuting Party first receives an action on the merits for such application for a Patent (excluding restriction requirements, notices to file missing parts, and the like), and, in any case, that has not been canceled, withdrawn from consideration, finally determined to be unallowable by the applicable governmental authority or court for whatever reason (and from which no appeal is or can be taken), or abandoned.

1.135 ***

1.136 "***" means the *** identified by FivePrime prior to the Effective Date, named *** by FivePrime and corresponding to the gene that FivePrime shall disclose to BMS promptly after the Effective Date (to the extent not previously disclosed to BMS under the Pre-Existing NDA).

1.137 ***

1.138 "*** Project" means the portion of the Research Plan designed to screen for, identify and validate *** and to generate, validate, characterize and advance *** or one or more Compounds directed to *** or a ***.

1.139 "Working Group" has the meaning set forth in Section 2.1.1.

2. Governance.

2.1 Working Group; Project Leaders; Alliance Managers.

2.1.1. The Parties shall establish a joint working group (the "Working Group") that is responsible for coordinating the day-to-day performance of the Research Program under the oversight of the JRC. Each Party's representatives to the Working Group shall be members of such Party's internal project team having responsibility for aspects of the day-to-day performance of the Research Plan. The Parties acknowledge that the *** Project and the *** Project constitute separate and distinct projects that are being coordinated together under the Research Program, and that a Party may therefore choose to allocate responsibilities and appoint different representatives to the Working Group with respect to each such project.

2.1.2. BMS and FivePrime shall each appoint one of its representatives to the Working Group who shall be responsible as the primary point of contact for coordinating the performance of the Research Program (each, a "Project Leader"); provided that a Party may choose to separately assign the Project Leader responsibilities for the *** Project and those for the *** Project to two different representatives, in which case each such individual shall be considered a Project Leader. Each Party shall notify the other within *** after the Effective Date of the appointment of its Project Leader(s) and thereafter shall notify the other Party in writing prior to changing any such appointment. The Working Group shall make decisions on day-to-day operational matters, including which Hits from a Screening Assay shall be subject to further assays or other follow-up activities necessary to confirm the designation of such Hits as Confirmed Hits, and otherwise coordinate the conduct of activities related to assay development and screening under the Research Program. The Working Group will also establish the criteria to be used for evaluating the results of Screening Assays and other follow-up activities and shall be responsible for the designation of Confirmed Hits. The Working Group shall also serve as a forum through which the Parties will routinely share operational information regarding performance of the Research Program, all in accordance with the terms of this Agreement.

2.1.3. During the Research Term each Party shall appoint one of its employees to act as alliance manager for such Party under this Agreement (each, an "Alliance Manager"). The Alliance Managers will assist the JRC in performing its oversight responsibilities. In particular, each Alliance Manager shall (i) identify and bring disputes to the attention of the JRC (or the Parties, as applicable) in a timely manner and be the point of first referral in all matters of conflict resolution; (ii) provide a single point of communication for seeking consensus both internally within the Parties' respective organizations and between the Parties regarding issues that arise in the performance of the Research Program; (iii) plan and coordinate cooperative efforts and internal and external communications; and (iv) take responsibility for ensuring that governance activities, such as the conduct of JRC meetings and drafting and securing approval of meeting minutes, occur as set forth in this Agreement and that relevant action items resulting from such meetings are appropriately carried out or otherwise addressed.

2.2 Joint Research Committee. The Parties shall establish a joint research committee to oversee the Research Program and activities under the Research Plan, in each case during the Research Term (the "JRC").

2.2.1. Composition of the JRC. The JRC shall consist of *** FivePrime representatives and *** BMS representatives. Each Party shall designate its JRC representatives within *** after the Effective Date. A Party may change one or more of its JRC representatives from time to time in its sole discretion, effective upon written notice (which notice a Party may provide by email in accordance with Section 14.4) to the other Party of such change. A Party's representatives to the JRC shall have appropriate technical credentials, experience and knowledge, and ongoing familiarity with the Research Program and the Research Plan, and shall have supervisory responsibilities within such Party's organization with respect to performance of the Research Plan. The Parties respective Project Leaders and Alliance Managers may also attend all JRC meetings as non-voting observers.

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2.2.2. Scope of JRC Oversight. Except as otherwise provided herein, the JRC shall:

(a) provide oversight of the Working Group;

(b) prioritize Research Plan experiments for the Working Group;

(c) resolve disputes arising at the Working Group;

(d) provide oversight and coordinate the activities of the Parties under the Research Plan

(e) review and approve and monitor the Research Plan for the Research Program;

(f) monitor the Budget and make any appropriate changes, subject to Section 2.2.2(a);

(g) review and approve any proposed amendments to the Research Plan, subject to the decision-making procedures set forth in Section 2.2.4(a);

(h) review data generated in the course of the Research Program by the Parties, including with respect to assay development and results of screening (including the determination of Hit and Confirmed Hit), and to consider and advise on any technical issues that arise in the course of the Research Program;

(i) review written updates submitted to the JRC pursuant to Section 3.2.3;

(j) monitor the Parties' progress under the Research Plan; and

(k) perform such other obligations as are necessary for the conduct of the Research Plan.

2.2.3. For clarity, the JRC shall not have any authority beyond the specific matters set forth in this Section 2.2.3, including not having the authority to: (i) obligate BMS to exercise the Option with respect to any Protein; (ii) amend this Agreement, waive any breach of either Party under this Agreement, or terminate this Agreement; (iii) make decisions or take any actions that are inconsistent with the terms of this Agreement; or (iv) approve any amendment to the Research Plan that is inconsistent with the terms of this Agreement.

2.2.4. Decision-Making. The Parties anticipate that the Working Group will make most day-to-day decisions regarding the Research Plan, except for those that are within the purview of the JRC. If the Working Group disagrees on any matters within the purview of the Working Group, the Project Leaders will first try to reach agreement on such matter. If the

Project Leaders do not reach agreement with respect to a matter within *** Business Days after first attempting to resolve such matter, it will be elevated to the JRC, which shall meet as soon as possible thereafter for discussion and resolution of the matter. At the JRC, each Party shall have collectively one vote in all decisions within the JRC's purview, and the JRC shall make all decisions by unanimous vote, except as set forth below:

(a) Elevation to Senior Executives; Final Say. In the event that the JRC cannot reach a unanimous vote with respect to a decision within its purview, the JRC shall refer such dispute to the CEO of FivePrime and the Senior Vice President, Immuno-Oncology, Biologics Discovery at BMS. If such senior executives cannot agree on a matter within *** Business Days after their first discussion regarding such matter, then BMS shall, in good faith and taking into consideration the comments of FivePrime, have the final decision-making authority, provided that BMS may not use its final decision-making authority to: (i) require FivePrime to violate any law or any agreement it may have with any Third Party; (ii) amend the terms and conditions of this Agreement; (iii) make changes to the Research Plan that would increase or decrease the total level of FivePrime FTEs in a manner inconsistent with Section 3.2.2; (iv) require FivePrime to incur any additional out-of-pocket costs (other than routine laboratory supplies) in the conduct of the Research Program beyond those set forth in the Budget; or (v) require FivePrime to conduct any activities outside the scope of the Research Plan.

2.2.5. JRC Meetings. The JRC shall meet at least *** every *** during the Research Term in accordance with a schedule agreed to by the Parties. The JRC may meet in person or by means of teleconference, Internet conference, videoconference or other similar communications equipment. However, at least *** each *** during the Research Term such meetings will be conducted in person with the location for such in-person meetings generally alternating between FivePrime's and BMS's facilities in the United States, or such other location as the JRC may determine. Each Party shall bear its own travel, lodging and telecommunication expenses related to participation in and attendance at such meetings by its JRC representatives.

(a) Observers. Each Party may invite non-voting observers to attend any JRC meeting, provided that any such observers who are not employees of either Party or its Affiliates may only attend with the prior written consent of the other Party, which consent shall not be unreasonably withheld. All such observers shall be bound by confidentiality and non-use obligations similar to those contained in Section 9, or which are otherwise acceptable to both Parties.

(b) Meeting Minutes. FivePrime's Alliance Manager shall prepare written draft minutes of each meeting of the JRC and shall provide the draft minutes to the Alliance Manager for BMS to coordinate review by the BMS JRC members. The Parties shall limit the content of such minutes to factual statements regarding the status and results of work under the Research Plan and of any actions proposed or decisions made by the JRC. The Parties shall refrain from including any opinions or other extraneous content in such minutes. The JRC minutes shall become official when

approved by the JRC at the next regularly scheduled JRC meeting, it being understood that actionable items approved and directed by the JRC shall commence notwithstanding the formal approval of JRC minutes. Any discrepancies or disputes with respect to the content of JRC minutes shall be resolved by the Parties prior to being presented at a JRC meeting for approval.

2.3 Oversight Periods of Committees. The activities to be performed by the JRC shall solely relate to governance under this Agreement, and shall not involve the delivery of services. The JRC shall continue to exist until the expiration of the Research Term.

3. Research Program.

3.1 Overview.

3.1.1. General. The Parties shall collaborate in carrying out a research program to further the understanding of target biology with respect to the Collaboration Targets as well as discover and pre-clinically develop Compounds suitable for development for human therapeutic uses (the "Research Program"). The Research Program shall be carried out in accordance with the Research Plan, that details the responsibilities and activities of FivePrime and BMS in carrying out the Research Program for each of the *** Project and *** Project. The Research Plan that will be in effect as of the Effective Date has been agreed by the Parties and has been previously disclosed to each Party under the Pre-Existing NDA. Any update to the Research Plan adopted by the JRC pursuant to Section 2.2.4 shall set forth the activities to be undertaken by the Parties as part of the *** Project and the *** Project, including a description of the specific activities to be performed by each of the Parties in support of the Research Program, the number of FivePrime FTEs performing the activities assigned to FivePrime in support of the Research Program and projected timelines for completion of such activities.

3.1.2. Goals and Responsibilities. The goals of the Research Plan are: (i) for FivePrime to work to identify *** and ***, each of which FivePrime shall submit to BMS for evaluation and potential selection as a Collaboration Target; and (ii) for the Parties to work together to evaluate Collaboration Targets and Compounds (and potential back-up Compounds or alternative Compounds) in the preclinical setting for possible further development by BMS pursuant to Article 7 (Development, Manufacturing and Commercialization of Products); provided that BMS shall determine in its sole discretion whether a Compound should advance to IND-enabling studies.

3.1.3. Extensions of Research Term. The Research Program shall be carried out during the Research Term. Neither Party shall be obligated to continue to conduct the Research Program beyond the expiration of the Research Term unless otherwise agreed in writing by the Parties. BMS may extend the initial Research Term for two (2) additional one-year periods on a year-by-year basis, without any additional consideration being payable to FivePrime, subject to BMS funding at least *** FivePrime FTEs during each such extension pursuant to Section 3.2.2; provided that BMS notifies FivePrime in writing of each such extension at least *** days before the expiration of the then-existing Research Term and confirms within such notice that BMS shall provide such additional funding of FivePrime FTEs.

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3.2 Resource Commitment.

3.2.1. Budget. The Research Plan shall include a budget for the BMS-funded FivePrime FTEs (based on the number of BMS-funded FivePrime FTEs and the FTE Rate) and any projected Contractor costs and expenses (the "Budget"), with such Budget to be updated periodically by the JRC.

3.2.2. BMS-funded FivePrime FTEs. Subject to this Section 3.2.2, FivePrime shall dedicate, and BMS shall fund, the following FTEs: (i) *** FTEs during the first twelve (12) months of the Research Term; (ii) *** FTEs during the second twelve (12) months of the Research Term; (iii) *** FTEs during the third twelve (12) months of the Research Term; and (iv) at least *** FTEs during each 12-month extension to the Research Term. The number of FivePrime FTEs to be funded by BMS and provided by FivePrime in support of conducting the Research Program may be increased or decreased by the JRC in accordance with changes in the Research Program and Research Plan, provided that, subject to Section 12.2, the number of FivePrime FTEs to be provided by FivePrime and funded by BMS shall not be decreased below *** FTEs or increased to exceed *** FTEs during the first twelve (12) months of the Research Term; shall not be decreased below *** FTEs or increased to exceed *** FTEs during the second twelve (12) months of the Research Term; and shall not be decreased below *** FTEs or increased to exceed *** FTEs during the third twelve (12) months of the Research Term; in each case without FivePrime's prior written consent in its sole discretion.

3.2.3. Efforts of Each Party. Each Party shall use Commercially Reasonable Efforts to conduct the work allocated to such Party in the Research Plan in accordance with the terms of this Agreement. During the Research Term, FivePrime and BMS shall each commit sufficient resources, staffing, equipment, facilities, materials and other resources to timely perform all the activities allocated to it under the Research Plan.

3.2.4. FivePrime Staffing and Costs. During the Research Term FivePrime shall determine and maintain appropriate FivePrime staffing levels as are necessary from time to time to resource and perform in a timely manner its activities under the Research Plan. Except for the payments to be made by BMS as forth in Section 8, FivePrime shall be fully responsible for its research efforts and shall bear all corresponding costs and expenses.

3.2.5. BMS Staffing and Costs. During the Research Term BMS shall determine and maintain appropriate BMS staffing levels as are necessary from time to time to resource and timely perform its activities under the Research Plan. BMS shall be fully responsible for its research efforts and shall bear all corresponding costs and expenses.

3.2.6. Reports to JRC. During the Research Term, the Working Group shall provide the JRC with a written update summarizing the status of activities under the Research Plan, including the status of research conducted with regard to any Collaboration Targets, in advance of each scheduled JRC meeting.

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3.3 Records; Sharing of Data.

3.3.1. Records. Each Party shall maintain complete and accurate records of all work conducted pursuant to the Research Program and all results, data and developments made in furtherance thereof, and shall retain such records in accordance with its record retention policy. Such records shall be in sufficient detail and in good scientific manner appropriate for accounting, patent and regulatory purposes. During the Research Term, each Party shall provide the other Party (through the Working Group and in a form acceptable to the JRC) with quarterly written reports of the work performed under the Research Program and the results achieved by such reporting Party and shall also promptly notify the other Party of any significant data, activities or events that occur under the Research Plan.

3.3.2. Sharing of Data and Results. The Parties shall share the results of all research performed by or on behalf of either Party under the Research Plan, including as further described in Section 4.1.

3.3.3. Collaboration IP. During the Research Term and thereafter, each Party shall inform the other Party of any Collaboration IP by providing written notice to the other Party, including in such notice a reasonably detailed description of such Collaboration IP and, if such Collaboration IP is potentially patentable, the identity of each inventor thereof.

3.4 Third Party Contractors. BMS shall be entitled to engage and utilize the service of Third Party contractors (each, a "Contractor") in connection with the performance of its obligations under the Research Plan. FivePrime shall be entitled to engage and utilize the service of Contractors in connection with the performance of its obligations under the Research Plan if such engagement and utilization is unanimously approved by the JRC or contemplated by the Research Plan. BMS shall reimburse FivePrime for the costs and expenses of any Contractors engaged pursuant to the preceding sentence. For clarity, no Contractor expenses shall be incurred by FivePrime (or reimbursable by BMS) without such being included in the approved Budget.

3.5 Use of Materials. The Parties acknowledge and agree that any Materials Controlled by a Party that are used in connection with the performance of the Research Plan, together with all progeny or derivatives thereof, are and shall remain the property of such Party. The Parties further acknowledge and agree that the use by or on behalf of a Party of any of its Materials in connection with performance of the Research Plan shall not result in such Materials (or any progeny or derivatives thereof) being considered Collaboration Know-How, except in each case to the extent that such Materials were, prior to such use, Collaboration Know-How.

3.5.1. Transfer of Materials. During the course of the Research Plan, each Party may transfer (the "Materials Transferring Party") to the other Party (the "Materials

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Receiving Party") samples of Materials for use in connection with the Research Plan. All Materials supplied by a Materials Transferring Party, and any progeny or derivatives thereof that are generated by or on behalf of the Materials Receiving Party, are and shall remain the sole and exclusive property of the Materials Transferring Party. For clarity, neither Party shall be obligated to provide the other Party with any samples of its Materials except to the extent expressly set forth in the Research Plan or this Agreement.

3.5.2. Warranty Disclaimer Regarding Materials. The Materials Transferring Party hereby represents that it Controls and has the rights and authority to provide the relevant Materials to the Materials Receiving Party for use in accordance with the terms of this Section 3.5. THE MATERIALS SUPPLIED BY THE MATERIALS TRANSFERRING PARTY PURSUANT TO THIS SECTION 3.5 ARE OTHERWISE SUPPLIED IN "AS IS" CONDITION WITH NO WARRANTY, EXPRESS, IMPLIED OR STATUTORY, INCLUDING WARRANTIES OF MERCHANTABILITY, NON-INFRINGEMENT, EXCLUSIVITY, OR FITNESS FOR A PARTICULAR PURPOSE. ANY MATERIAL DELIVERED PURSUANT TO THIS AGREEMENT IS UNDERSTOOD TO BE EXPERIMENTAL IN NATURE AND MAY HAVE HAZARDOUS PROPERTIES. THE MATERIALS RECEIVING PARTY WILL HANDLE THE MATERIAL ACCORDINGLY.

3.5.3. Restrictive Covenants on Materials. The Materials Receiving Party agrees that it will:

(a) Use the received Materials solely for, and in compliance with, the Research Plan;

(b) Use the received Materials in compliance with applicable Laws;

(c) Not use the received Materials in human subjects;

(d) Use the received Materials only in the Materials Receiving Party's laboratories by personnel of the Materials Receiving Party;

(e) Not transfer the received Materials to any Third Party without the prior written consent of the Materials Transferring Party; and

(f) Not reverse engineer or chemically analyze the received Materials, except as expressly agreed in writing by the Materials Transferring Party.

The Materials Receiving Party further agrees that all of the foregoing restrictions shall also apply to all progeny or derivatives of Materials it receives from the Materials Transferring Party that are generated by or on behalf of the Materials Receiving Party.

3.5.4. Allocation of Liability. The Materials Receiving Party assumes all liability for damages which may arise from its handling, use, storage or disposal of the Materials. The Materials Transferring Party shall not be liable to the Materials Receiving Party for any loss,

claim or demand made by the Materials Receiving Party, or made against the Materials Receiving Party by any Third Party, due to or arising from the handling, use, storage or disposal of the Materials as permitted hereunder, except to the extent caused by the gross negligence or willful misconduct of the Materials Transferring Party.

3.5.5. Disposition of Materials after the Research Term. Except as expressly provided below, upon expiration or the earlier termination of the Research Term, the Materials Receiving Party shall discontinue its use of any Materials pursuant to this Agreement and shall, upon direction of the Materials Transferring Party, return or destroy (and certify destruction of) any remaining Material (and all progeny or derivatives thereof) in its possession. The foregoing notwithstanding, BMS shall have the right to retain any and all Materials related to a Collaboration Target that were provided to BMS by or on behalf of FivePrime pursuant to Section 4.3 that are related to any such Collaboration Target that until such time (if any) that such Collaboration Target becomes a Terminated Target.

4. Confirmed Hits; Conversion into Collaboration Targets; Access to Evaluation Materials; Non-Selected Targets.

4.1 Hits; Confirmed Hits. FivePrime shall conduct screening of the FivePrime Library (or a portion thereof, as determined by the Working Group) using the Screening Assays in accordance with the Research Plan (it being understood that the conduct of one or more additional Screening Assays of the FivePrime Library may be included in an amendment to the Research Plan approved by the JRC, subject to re-allocation of dedicated FTE resources). FivePrime shall disclose to the Working Group the number of Hits and the molecular identity of Hits from each Screening Assay, provided, however, that FivePrime shall have no obligation to disclose to BMS the molecular identity of any Protein screened in such Screening Assay that is (i) *** or (ii) ***. The Working Group shall evaluate the Hits from each Screening Assay and determine those confirmatory activities to undertake, including for example confirmation with recombinant protein or through specificity or affinity analyses or activity in a secondary assay, to determine which of such Hits shall become Confirmed Hits. FivePrime shall disclose to BMS the identity of each Confirmed Hit as soon as practicable through the Working Group but in any event no later than the next JRC meeting immediately following the identification of such Confirmed Hit. FivePrime shall deliver to BMS, as promptly as practicable, all available data and information generated in performance of the Research Plan with respect to each such Confirmed Hit and any other information Controlled by FivePrime with respect to such Confirmed Hit (including any updates or changes to such information that become available during the Consideration Period where applicable) (the "Confirmed Hit Data") in order to provide BMS with sufficient and complete information to enable BMS to determine whether or not to exercise its Option with respect to such Confirmed Hit pursuant to Section 4.2. Notwithstanding the foregoing, nothing in this Agreement shall be interpreted as obligating FivePrime to disclose to BMS, and FivePrime shall not disclose to BMS any Confidential Information obtained by FivePrime through testing the FivePrime Library or any Protein in any Third Party Assays. BMS shall have the right to use any and all Confirmed Hit Data solely for the purpose of evaluating (including with respect to safety or regulatory concerns) the relevant Confirmed Hit so as to determine whether or not BMS will exercise its Option with respect to such Confirmed Hit.

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4.2 Option to Designate Confirmed Hits into Included Collaboration Targets or Additional Collaboration Targets. During the Option Period, BMS shall have an exclusive option (even as to FivePrime) to (i) select and designate or (ii) reject each Confirmed Hit for further evaluation and development as a Collaboration Target as set forth in this Section 4.2.

4.2.1. Included Collaboration Targets. In addition to the Initial Included Collaboration Targets, BMS may, during the Option Period, select up to *** and up to *** from among the Confirmed Hits to be Included Collaboration Targets. BMS shall have the right to make such selections of Included Collaboration Targets by providing written notice to FivePrime, during the Option Period, identifying each specific Confirmed Hit that is a *** or *** as an Included Collaboration Target. Upon FivePrime's receipt of such notice, such Confirmed Hit shall automatically become an Included Collaboration Target.

4.2.2. Additional Collaboration Targets. In addition to the Included Collaboration Targets, BMS may, during the Option Period, select any Confirmed Hit that is a *** or *** to be an Additional Collaboration Target. BMS shall have the right to make such selections of Additional Collaboration Targets by: (i) providing written notice to FivePrime, during the Option Period, identifying each such specific Confirmed Hit as an Additional Collaboration Target; and (ii) paying FivePrime the Selection Fee for each such Confirmed Hit pursuant to Section 8.2.1. Upon FivePrime's receipt of such notice and payment, such Confirmed Hit shall become an Additional Collaboration Target.

4.2.3. Conversion to Non-Selected Target.

(a) Each Confirmed Hit shall cease to be a Confirmed Hit and shall become a Non-Selected Target if: (i) prior to the expiration of the Option Period, BMS notifies FivePrime that it is not exercising its right with respect to a particular Confirmed Hit to select such hit as a Collaboration Target; (ii) BMS does not timely pay the Selection Fee with respect to a particular Confirmed Hit that BMS wishes to select as an Additional Collaboration Target; or (iii) the Option Period has expired without BMS selecting such Confirmed Hit as a Collaboration Target pursuant to Section 4.2.1 and Section 4.2.2, respectively.

(b) With respect to each Collaboration Compound Patent that claims a compound or product directed to a Non-Selected Target, BMS shall, upon FivePrime's request, negotiate in good faith (but without any obligation to enter into an agreement) with FivePrime regarding commercially reasonable terms and conditions for a royalty-bearing license under such Collaboration Compound Patent; provided that this clause 4.2.3(b) shall not apply in the case where BMS declined to designate such Non-Selected Target as a Collaboration Target due to Safety Reasons.

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4.3 Access to Evaluation Materials. For each Included Collaboration Target and Additional Collaboration Target, FivePrime shall transfer to BMS, at no additional cost to BMS, the Materials, FivePrime Know-How and Collaboration Know-How that the Parties agree are necessary to enable BMS to evaluate such Collaboration Target under the license granted to it under Section 6.1. With respect to the Initial Included Collaboration Targets, FivePrime shall commence such transfer within *** Business Days after the Effective Date. With respect to each Confirmed Hit that BMS selects as a Collaboration Target pursuant to Section 4.2.1 or Section 4.2.2, respectively, FivePrime shall commence such transfer within *** days after the date such Confirmed Hit becomes a Collaboration Target, as applicable, and shall use Commercially Reasonable Efforts to complete such transfer within *** days. If additional Materials, FivePrime Know-How or Collaboration Know-How become available, then FivePrime shall use Commercially Reasonable Efforts to transfer such additional items to BMS within *** days after such items first become available and in FivePrime's Control.

4.4 Exchange of Information on Non-Selected Targets. BMS shall transfer to FivePrime, within *** Business Days after a Confirmed Hit or Collaboration Target, as applicable, becomes a Non-Selected Target, all Know-How with respect to such Non-Selected Target generated by or on behalf of BMS during the performance of the Research Program for such Non-Selected Target. Notwithstanding the foregoing, if a Non-Selected Target from one particular Screening Assay becomes a Confirmed Hit in a subsequent Screening Assay, then FivePrime shall present such Confirmed Hit to BMS in accordance with Section 4.1.

5. Excluded Proteins; Third Party Proteins.

5.1 Excluded Proteins. BMS acknowledges that FivePrime has reserved the rights for itself or Third Parties to research, develop and commercialize products directed to or containing certain specific Proteins that are contained in FivePrime's library; provided that in each such case such reservation shall have been documented by (A) a definitive written agreement with such Third Party or (B) by contemporaneous written records relating to an active and ongoing *bona fide* research, development or commercial program conducted by FivePrime (but not including any internal program of a Third Party that enters into a Strategic Transaction with FivePrime subsequent to the Effective Date that is not otherwise included in (A)) with respect to such Proteins (each such Protein, an "Excluded Protein"). The process allowing BMS to verify the Excluded Protein List is set forth in this Article 5. Although Excluded Proteins may be included in the protein libraries FivePrime screens under the Research Program, notwithstanding any other provision of this Agreement or any Research Plan to the contrary, no Excluded Protein shall be deemed a Confirmed Hit under this Agreement, and FivePrime shall have no obligation to disclose to BMS any Third Party Protein that may be identified as a hit as a result of any screening or follow-up confirmation activities under the Research Program.

5.2 Disclosure of Excluded Protein List; Modification.

5.2.1. Disclosure of Excluded Protein List; Modification. During the Research Term, FivePrime shall maintain an accurate and current Excluded Protein List.

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Promptly after the Effective Date, FivePrime shall provide to BMS the Excluded Protein List existing as of the Effective Date. From time to time after the Effective Date, FivePrime may add, subtract or substitute an Excluded Protein on the Excluded Protein List, provided that FivePrime may not add to the Excluded Protein List any Protein that (i) is, as of the date such Protein is to be added, a Confirmed Hit, or Collaboration Target, or (ii) was identified as a Hit less than *** days prior to the date such Protein is to be added, unless and until such Protein becomes a Non-Selected Target or a Terminated Target. FivePrime shall promptly notify BMS in writing (which notice FivePrime may provide by email in accordance with Section 14.4) of each change to the Excluded Protein List.

5.2.2. No Obligation to Disclose Information Regarding Excluded Proteins. Nothing in this Agreement shall require FivePrime to inform BMS of the identity of any of the Excluded Proteins, the indication for which any of the Excluded Proteins are being evaluated or developed by FivePrime, any data associated with such Excluded Proteins, or the development stage of any of the Excluded Proteins.

5.3 Excluded Protein and Third Party Protein Hits. In the event that a Protein identified from any Screening Assay (including as a preliminary Hit) is an Excluded Protein, including a Third Party Protein, then (i) FivePrime shall not be required to identify the identity of any such *** to BMS ***; (ii) FivePrime shall not be required to disclose to BMS any data or results that is confidential or proprietary information of a Third Party pertaining to such Excluded Protein or Third Party Protein; (iii) such Excluded Protein shall not be deemed a preliminary Hit or Confirmed Hit and FivePrime or its Third Party licensee shall retain all rights to such Excluded Protein or Third Party Protein; and (iv) BMS shall have no rights to such Excluded Protein or Third Party Protein; (v) the Parties will not further evaluate such Excluded Protein or Third Party Protein under the Research Plan; and (vi) BMS will not have the right to exercise any Option with respect to such Excluded Protein or Third Party Protein.

5.4 Reverted Excluded Proteins. In the event that the right to any Third Party Protein reverts to FivePrime under any Third Party agreement so that FivePrime is no longer required to reserve such Protein for such Third Party, FivePrime shall have the right to add such Protein to the Excluded Protein List, provided that FivePrime has a *bona fide* intent to and does undertakes an active and ongoing *bona fide* research, development or commercial program within *** days of such reversion, otherwise. In the event that during the Research Term FivePrime terminates an internal program that had previously related to an Excluded Protein or if FivePrime does not add a reverted Third Party Protein to the Excluded Protein List pursuant to the first sentence of this Section 5.4, and such Protein had been identified in a Screening Assay prior to such reversion, and would have otherwise been designated a Confirmed Hit at the time it was identified in a Screening Assay under the Research Plan but for its being an Excluded Protein at the time, then FivePrime shall inform BMS of the availability of such Protein and designate such Protein as a Confirmed Hit, provided that BMS's right to such Protein shall be subject to any and all contractual obligations that FivePrime may have to a Third Party.

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6. Licenses; Exclusivity; Negative Covenants.

6.1 License Grants to BMS; Exclusivity.

6.1.1. Non-Exclusive Research License. Subject to the terms and conditions of this Agreement, FivePrime hereby grants to BMS a fully-paid, royalty-free, non-exclusive license, with the right to grant sublicenses (with the right to grant further sublicenses) (as provided herein) under the FivePrime Patents, FivePrime Know-How and FivePrime's Interest in Collaboration IP solely to the extent necessary for BMS to conduct its obligations and exercise its rights under this Agreement during the Option Period, including to evaluate Confirmed Hits for possible conversion into Included Collaboration Targets or Additional Collaboration Targets. BMS may sublicense the foregoing license solely to its Affiliates and Contractors for the sole purpose of conducting BMS's obligations and responsibilities under this Agreement on BMS's behalf

6.1.2. Exclusive Commercial License. Subject to the terms and conditions of this Agreement, FivePrime hereby grants to BMS an exclusive, royalty-bearing (as set forth in Section 8) license, with the right to grant sublicenses (including the right to further sublicense) pursuant to Section 6.1.3, under the Licensed IP to discover, research, develop, make, have made, use, sell, offer for sale, export and import any Licensed Compound or Product.

6.1.3. Right to Sublicense. BMS may grant sublicenses (including the right to grant further sublicenses) under the exclusive license it receives under Section 6.1.2 to any of its Affiliates or any Third Party without the prior written consent of FivePrime, provided that the agreement between BMS and such sublicensee shall be consistent with the terms and conditions of this Agreement. BMS shall remain responsible for its obligations, including payment obligations pursuant to Section 8, under this Agreement that have been delegated, subcontracted or sublicensed to any of its Affiliates, sublicensees or subcontractors. BMS must promptly notify FivePrime of any sublicenses that it or its Affiliates or sublicensees grants, including the name and description of the sublicense, the scope of rights granted, the territory, the field and the terms of such sublicense, such terms to be disclosed solely to the extent necessary for FivePrime to determine that such sublicense complies with the terms and conditions of this Agreement.

6.1.4. Limited License. The licenses granted in this Agreement to BMS shall not be construed as granting BMS any right or license (either expressly or by implication) under any FivePrime Know-How, FivePrime Patents or FivePrime's interest in Collaboration IP: (a) to make, have made, use, sell, offer for sale or import any product with respect to any Protein that is not a Collaboration Target; or (b) to use or practice FivePrime Platform Technology.

6.1.5. Retained Rights. FivePrime retains all rights not expressly granted herein to BMS, including as follows:

(a) Right to Maintain Library. Notwithstanding the provisions of this Section 6.1, FivePrime shall retain the right to maintain any and all Confirmed Hits and Collaboration Targets in the FivePrime Library, and, subject to the restrictions set forth in Sections 6.4.2, to use the FivePrime Library for any purpose (including

conducting collaborations with Third Parties), provided that FivePrime shall not, for the period of time a Protein is a Confirmed Hit or Collaboration Target: (i) disclose that such Protein is or was a Confirmed Hit or Collaboration Target to any Third Party; (ii) publish or disclose to any Third Party, or use for any purpose, any data or results pertaining to such Protein generated in the use of FivePrime Library, in each case except to fulfill FivePrime's obligations or exercise its rights under this Agreement; or (iii) grant any rights or license to any Third Party with respect to such Protein in a manner that conflicts with the rights granted to BMS under this Agreement.

(b) Rights to Excluded Proteins. Subject to FivePrime's obligations of confidentiality on non-use with respect to BMS's Confidential Information hereunder as set forth in Article 9, FivePrime shall retain the rights to research, develop, manufacture and commercialize any product comprising any compound with respect to any Excluded Protein, including any Third Party Protein, for all uses at all times, either by itself, in collaboration with a Third Party or indirectly through a Third Party licensee.

6.1.6. Non-Selected Targets and Terminated Targets. Promptly after a Confirmed Hit becomes a Non-Selected Target or a Collaboration Target becomes a Terminated Target, the following shall apply: (i) BMS shall, promptly after such date, return or destroy, at FivePrime's election, all FivePrime Know-How in its possession or control with respect to such Non-Selected Target or Terminated Target and shall immediately cease to use such FivePrime Know-How, except in each case to the extent such FivePrime Know-How is also related to one or more remaining Confirmed Hits, Included Collaboration Targets, Additional Collaboration Targets, Licensed Compounds or Products; (ii) each Collaboration Target Patent that claimed any such Non-Selected Target or Terminated Target (a "Reverted Target Patent") shall automatically cease to be Licensed IP; and (iii) all Collaboration Target Know-How directly related to any such Non-Selected Target or Terminated Target ("Reverted Target Know-How") shall automatically cease to be Licensed IP.

6.2 License Grants to FivePrime.

6.2.1. Non-Exclusive Research License. BMS hereby grants to FivePrime a fully-paid, royalty-free, non-exclusive license, effective only during the Research Term, under BMS Background Patents and BMS Background Know-How, solely to the extent necessary for FivePrime to conduct its obligations and exercise its rights under the Research Plan. FivePrime may grant sublicenses (with the right to grant further sublicenses) under the foregoing license solely to its Affiliates and Contractors solely to conduct such obligations and responsibilities on its behalf.

6.2.2. Non-Selected Targets and Terminated Targets. BMS hereby grants to FivePrime a worldwide, royalty-free, fully paid-up, perpetual, irrevocable exclusive (even as to BMS) license, with the right to grant sublicenses, under BMS's right, title and interest in, to and under each Reverted Target Patent and the Reverted Target Know-How to make, have made, use, sell, offer for sale and import any Non-Selected Target, Terminated Target and any compound or product directed to such Non-Selected Target or Terminated Target.

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6.3 No Implied Licenses. Except as specifically set forth in this Agreement, neither Party shall acquire any license, intellectual property interest or other rights, by implication or otherwise, in any Know-How disclosed to it under this Agreement or under any Patents Controlled by the other Party or its Affiliates**.**

6.4 Negative Covenants.

6.4.1. BMS Negative Covenants. BMS hereby covenants that neither BMS nor any of its Affiliates shall, with respect to each Non-Selected Target and during the Restricted Period applicable to such Non-Selected Target, perform (or have performed on its or such Affiliate's behalf) any research, development or commercial activities in the field of Immuno-Oncology with respect to any compound or product discovered or generated or derived to bind to and modulate a Non-Selected Target. In the event that BMS desires to commence any research, development or commercial activities in the field of Immuno-Oncology with respect to any compound or product discovered or generated or derived to bind to and modulate a Non-Selected Target, BMS shall have the right, (i) during the Research Term for so long as such Non-Selected Target is not an Excluded Protein and (ii) after the Research Term if FivePrime has not reserved the rights for itself or any Third Party to research, develop and commercialize compounds or products discovered or generated or derived to bind to and modulate such Non-Selected Target, provided that in each such case such reservation shall have been documented by (A) a definitive written agreement with such Third Party or (B) by contemporaneous written records relating to an active and ongoing bona fide research, development or commercial program conducted by FivePrime, to designate any such Non-Selected Target as a Collaboration Target on the terms and conditions set forth herein (without any additional payments to FivePrime except as set forth in Section 8.3 and 8.4); provided that in the event such Non-Selected Target is not available for selection as a Collaboration Target by operation of clause (A) or clause (B) above, (X) such compound or product identified, developed and/or commercialized by BMS shall be treated as a Post-Termination Compound hereunder (with the economics payable to FivePrime associated therewith being FivePrime's sole and exclusive remedy for any breach by BMS of this Section 6.4.1), and (Y) notwithstanding clause (X), no license shall be granted hereunder by FivePrime to BMS with respect to such Non-Selected Target or any compound or product directed towards such Non-Selected Target.

6.4.2. FivePrime Negative Covenants. FivePrime hereby covenants that it shall not conduct, independently of this Agreement, any efforts with respect to any Collaboration Target (or a Confirmed Hit where BMS has the right to select such Confirmed Hit as a Collaboration Target under its Option under this Agreement), whether for itself or through or with any Third Party or enable a Third Party (including the grant of any license or option to any Third Party) to (A) discover, research, exploit any Collaboration Target (or a Confirmed Hit where BMS has the right to select such Confirmed Hit as a Collaboration Target under its Option under this Agreement), or (B) discover, research and/or develop any compound or product that is

discovered or generated or derived to bind to and modulate such Collaboration Target (or a Confirmed Hit where BMS has the right to select such Confirmed Hit as a Collaboration Target under its Option under this Agreement) (including the Collaboration Target or Confirmed Hit itself).

7. Development, Commercialization and Manufacturing of Products.

7.1 Responsibilities of BMS. Subject to the activities performed by FivePrime in support of the Research Program, BMS shall have the sole right and responsibility for the development, regulatory approval, manufacturing and commercialization of Licensed Compound(s) and Product(s) in the Field and the Territory, including decision-making authority and all funding for such activities. Without limiting the foregoing, BMS shall be responsible, at its sole cost and expense, for (i) all GMP manufacturing activities for clinical and commercial supply, with FivePrime providing technical support relating to the FivePrime Know-How as agreed in the Research Plan, (ii) all necessary IND-enabling studies for the Licensed Compounds and Products; and (iii) all clinical development and commercialization of Licensed Compounds and Products.

7.2 Diligence; Reports.

7.2.1. Diligence. BMS shall use Commercially Reasonable Efforts to develop and commercialize (i) at least *** Licensed Compound or Product for *** or any ***, for so long as *** or any *** is a Collaboration Target, and (ii) at least *** Licensed Compound or Product for *** or any ***, for so long as *** or any *** is a Collaboration Target.

7.2.2. Reports. Beginning the Calendar Year after the conclusion of the Research Term and within *** days after the end of each Calendar Year, BMS shall provide FivePrime with a written report summarizing its research, development and commercialization activities with respect to each Collaboration Target and the related Licensed Compound(s) and Product(s) in such Calendar Year, which report shall be sufficiently detailed for FivePrime to determine whether BMS has met its diligence obligations under this Agreement. BMS shall provide to FivePrime such additional information and documentation as is necessary for purposes of verifying BMS's satisfaction of the diligence obligation set forth in this Section 7.2.

8. Payments; Royalties and Reports.

8.1 Research, Technology Access and Related Payments.

8.1.1. Upfront Payment. BMS shall pay FivePrime a one-time, non-refundable, non-creditable payment in the amount of Twenty Million Dollars ($20,000,000) within *** Business Days after the Effective Date.

8.1.2. Equity Investment. The Parties shall enter into the Stock Purchase Agreement as of the Effective Date and BMS shall purchase nine hundred ninety-four thousand

three hundred fifty-two (994,352) shares of Common Stock, par value $0.001 per share, of FivePrime at a price of twenty-one Dollars and sixteen Cents ($21.16) per share for a total purchase price of twenty-one million forty thousand four hundred and eighty-eight Dollars and thirty-two Cents ($21,040,488.32) pursuant to the Stock Purchase Agreement.

8.1.3. Research Funding; Other Expenses.

(a) On a Calendar Quarter basis, BMS shall pay FivePrime an amount equal to the product of (i) the number of FivePrime FTEs set forth in the Budget for such Calendar Quarter, multiplied by (ii) the FTE Rate (such product, the "Research FTE Costs"). Within *** Business Days after the Effective Date, FivePrime shall invoice BMS for all Research FTE Costs due for (a) the period beginning on the Effective Date and ending March 31, 2014; and (b) for the first full Calendar Quarter after the Effective Date. It is the intent of the Parties that, for the duration of the Research Term, BMS will thereafter pay each subsequent Calendar Quarter payment of Research FTE Costs no later than the first day of such Calendar Quarter and that FivePrime shall, accordingly, invoice BMS for such payments at least *** calendar days in advance of the start of such Calendar Quarter.

(b) After the end of each Calendar Quarter, FivePrime shall invoice BMS for the reimbursement of (i) all agreed-upon Contractor costs and expenses incurred by FivePrime in accordance with the Budget and Section 3.4; and (ii) all costs and expenses incurred by FivePrime for which BMS has an obligation to share such costs and expenses pursuant to Section 10.2.2(a).

(c) BMS shall pay invoices for amounts due under this Section 8.1.3 within *** calendar days of the date BMS receives such invoice.

8.2 Selection Fee; License Maintenance Fee.

8.2.1. Selection Fee. For each Confirmed Hit that BMS selects as an Additional Collaboration Target, BMS shall pay to FivePrime a non-refundable, non-creditable payment of *** within *** calendar days after BMS delivers to FivePrime the written notice identifying such Confirmed Hit as an Additional Collaboration Target pursuant to Section 4.2.2 (the "Selection Fee").

8.2.2. License Maintenance Fees. For each Additional Collaboration Target, BMS shall pay FivePrime a fee of *** for each *** period as partial consideration for the maintenance of the exclusive license grant under Section 6.1.2 (Exclusive Commercial License) (each such amount, the "License Maintenance Fee"). BMS shall pay the first such License Maintenance Fee(s) on the date that is *** after the last day of the Research Term, and shall pay each subsequent License Maintenance Fee for each Additional Collaboration Target on each anniversary of the first License Maintenance Fee payment until, on an Additional Collaboration Target-by-Additional Collaboration Target basis, the date on which the first IND is filed for the

first Compound or Product to such Additional Collaboration Target, provided that the final License Maintenance Fee for each Additional Collaboration Target shall be prorated based on the period between the last anniversary the last day of the Research Term and the date that such IND was filed, and shall become due on the date that is *** calendar days after the filing of such IND. FivePrime shall invoice BMS on or before the conclusion of the Option Term and on or before each anniversary thereafter for License Maintenance Fees for each Additional Collaboration Target. BMS shall pay the invoices within *** calendar days after the later of the date such invoice is delivered or the last day of the Research Term or corresponding anniversary thereof.

8.3 Milestone Payments. BMS shall pay to FivePrime the milestone payments set forth in this Section 8.3 within the period of time set forth herein.

8.3.1. Event Milestones. BMS shall, in connection with the first occurrence of each milestone event listed below with respect to Licensed Compounds or Products directed to each Collaboration Target, pay FivePrime the milestone payments listed below in accordance with the procedure set forth in Section 8.3.3. Each such payment shall be non-refundable and non-creditable.

Event	1st Indication	2nd Indication	3rd Indication
File 1st IND	***	***	***
Initiation of the 1st Phase 2 Trial	***	***	***
Initiation of the 1st Phase 3 Trial	***	***	***
BLA Filing in U.S.	***	***	***
BLA or equivalent Filing in EU	***	***	***
BLA or equivalent Filing in Japan	***	***	***
First Commercial Sale in U.S.	***	***	***
First Commercial Sale in EU	***	***	***
First Commercial Sale in Japan	***	***	***
Total milestone payments per Collaboration Target	***	***	***

The term "File" as used above means the acceptance of filing of the applicable application by Regulatory Authority. The term "First Commercial Sale" as used above with respect to the EU means a First Commercial Sale in at least *** of the following countries: France, Germany, Italy, Spain and the United Kingdom following Approval in such country.

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The term "Indication" as used above means, with respect to a Licensed Compound or Product, the use of that Licensed Compound or Product for the treatment, prevention, mitigation or cure of: (i) any cancer with a particular organ of origin; or (ii) any disease that is not a cancer. Indications that are cancers will be deemed the same for purposes of this Agreement if the subject cancers have the same organ of origin even if they are, for example, of a different histologic or genetic subtype or line of therapy (e.g., well-differentiated and poorly differentiated gastric cancer, NSCLC and SCLC, 1st line NSCLC and 2nd line NSCLC), and will be deemed different if the subject cancers have different organs of origin (e.g., gastric cancer and lung cancer). Among non-solid tumor cancers, Indications for leukemia, lymphoma and multiple myeloma, but not their subtypes or lines of therapy, shall be considered different Indications.

For clarity, the milestone payments listed above shall be made only once for each Collaboration Target (as applicable) upon the first achievement of each relevant milestone by Licensed Compounds or Products for a particular Collaboration Target (as applicable).

8.3.2. Sales Milestones. BMS shall pay to FivePrime the following sales-based milestone payments based on the total worldwide Net Sales, on a Product-by-Product basis, in a given Calendar Year by BMS, its affiliates and sublicensees. Each payment shall be in accordance with the procedure set forth in Section 8.3.3, and shall be non-refundable and non-creditable.

Net Sales Threshold	Sales-Based Milestone
Annual worldwide Net Sales first to reach ***	***
Annual worldwide Net Sales first to reach ***	***
Annual worldwide Net Sales first to reach ***	***
Total Sales-Based Milestone payments per Product	**$ 60,000,000**

For clarity, the sales-based milestone payments set forth above shall be calculated separately for each Product that contains a different Licensed Compound and reaches the indicated total worldwide Net Sales threshold, but in any event shall not exceed $60 million for any given Product.

8.3.3. Milestones Relating to BMS I-O Crossover Compounds, Third Party I-O Crossover Compounds and Post-Termination Compounds.

(a) I-O Cross-Over Compounds.

(i) BMS I-O Crossover Compounds. Any Compound that is a BMS Excluded Compound by operation of clause (Y) of Section 1.13.4 shall cease to be a BMS Excluded Compound on the date of Initiation of any Clinical Trial in the field of Immuno-Oncology for such Compound (each such Compound thereafter a "BMS I-O Crossover Compound").

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(ii) Third Party I-O Crossover Compound. Any Compound that is in-licensed or acquired by BMS from a Third Party and that is a BMS Excluded Compound by operation of clause (Y) of Section 1.13.5 shall cease to be a BMS Excluded Compound on the date of Initiation of any Clinical Trial in the field of Immuno-Oncology for such Compound (each such Compound thereafter a "Third Party I-O Crossover Compound").

(b) Event Milestones.

(i) For BMS I-O Crossover Compounds and Third Party I-O Crossover Compounds. Notwithstanding Section 8.3.1, event milestone payments shall not be payable with respect to milestone events that are achieved by BMS I-O Crossover Compound(s) or Third Party I-O Crossover Compound(s) prior to the date any such BMS I-O Crossover Compound or Third Party I-O Crossover Compound ceases to be a BMS Excluded Compound. By way of example, if a BMS Excluded Compound has achieved initiation of a Phase 2 Trial, and subsequently becomes a Third-Party I-O Crossover Compound by virtue of BMS commencing a Phase 3 trial in the field of Immuno-Oncology for such compound, then the first development milestone that shall be payable for such Third-Party I-O Crossover Compound shall be for Initiation of the 1st Phase 3 Trial, and if such Phase 3 trial is not the first indication pursued for such Third-Party I-O Crossover Compound, then the milestone payment applicable for the indication (e.g. 2nd, 3rd, or beyond, as applicable) shall apply.

(ii) For Post Termination Compounds. Notwithstanding Section 8.3.1, event milestone payments shall not be payable with respect to milestone events that are achieved by Post-Termination Compounds for milestones achieved by such Post-Termination Compounds outside the field of Immuno-Oncology.

(c) Sales Milestones. Notwithstanding Section 8.3.2, milestone payments payable with respect to sales-based milestones that are achieved by BMS I-O Crossover Compounds, Third Party I-O Crossover Compounds and Post-Termination Compounds shall be calculated based on Net Sales of such Compounds within the field of Immuno-Oncology.

8.3.4. Notice of Event Milestone Achievement.

(a) BMS shall notify FivePrime in writing within *** Business Days following the achievement of each milestone event set forth in Section 8.3.1 and Section 8.3.2, and BMS shall within *** calendar days following the receipt of an invoice for achievement of each such milestone event pay FivePrime the appropriate milestone payment. The milestone payments set forth in Section 8.3.1 shall be payable only upon the initial achievement of the particular milestone event for any Product with respect to

each Collaboration Target (as applicable), and no amounts shall be due hereunder for subsequent or repeated achievement of the same milestone with respect to each such Collaboration Target (as applicable).

(b) If any milestone payment triggering event in Section 8.3.1 is skipped for a particular Collaboration Target (as applicable), the milestone payment that would otherwise have been due for such skipped milestone payment triggering event shall be due and payable on the occurrence of the next to occur milestone payment triggering event for such Collaboration Target (as applicable). For example, if BMS conducts a Phase 1 Trial, and then chooses not to conduct a Phase 2 Trial and instead begins a Phase 3 Trial, both milestone payments associated with the Initiation of a Phase 2 Trial and a Phase 3 Trial shall be due at the Initiation of the Phase 3 Trial (with respect to the 1st Indication). As a further example, if BMS achieves total worldwide Net Sales of a particular Product in a particular Calendar Year in an amount that exceeds *** for the first time, and BMS has not achieved total worldwide Net Sales of such Product above *** in any prior years, then the sales milestone payments triggered by both milestone trigger events shall become due at the end of such Calendar Year.

8.4 Royalties.

8.4.1. Royalties for Products.

(a) BMS shall pay FivePrime royalties on a Calendar Quarterly basis with respect to Net Sales during such Calendar Quarter, calculated on a Product-by-Product and country-by-country basis, as set forth in this Section 8.4

(b) BMS shall pay to FivePrime a royalty on Net Sales of each Product by BMS, its affiliates and sublicensees in the Field in the Territory equal to the following portions of Net Sales multiplied by the applicable royalty rate for such portion:

Portion of Annual Net Sales	Royalty Rate
Up to and equal to ***;	***
Greater than *** and less than or equal to ***;	***
Greater than *** and less than or equal to ***;	***
Greater than *** and less than or equal to ***;	***
Greater than *** and less than or equal to ***; and	***
Greater than ***.	***

By way of example, if the annual Net Sales of a Product in the Territory in a particular Calendar Year are ***, the amount of royalties payable hereunder shall be calculated as follows (subject to any applicable reductions under this Article 8): (*** x ***) + (*** x $***) + (*** x $***) + (*** x ***) + (*** x ***) + (*** x ***) = ***.

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(c) Royalties payable with respect to BMS I-O Crossover Compounds, Third Party I-O Crossover Compounds and Post-Termination Compounds shall be calculated based on Net Sales of such Compounds within the field of Immuno-Oncology.

8.4.2. Royalty Reduction Due to Generic/Biosimilar Competition. If during any Calendar Quarter during the Royalty Term for a Product there are one or more Biosimilar Products or Generic Products being sold in a country with respect to such Product, then the royalty rates payable under this Agreement with respect to such Product in such country for such Calendar Quarter shall be reduced as follows:

(i) by ***, in the event that in any Calendar Quarter such Biosimilar Product(s) or Generic Product(s), by unit equivalent volume in such country, exceed a *** share of the market;

(ii) by ***, in the event that in any Calendar Quarter such Biosimilar Product(s) or Generic Product(s), by unit equivalent volume in such country, exceed a *** share of the market; or

(iii) by ***, in the event that in any Calendar Quarter such Biosimilar Product(s) or Generic Product(s), by unit equivalent volume in such country, exceed a *** share of the market;

provided that in no event shall this Section 8.4.2 cause the royalty rate with respect to such Product in such country for such Calendar Quarter to be reduced below ***, it being understood that the reductions set forth in clauses 8.4.3, 8.4.4, 8.4.5, and 8.5 may further reduce the royalty rate with respect to such Product.

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8.4.3. Royalty Reductions Due to Required Licenses. If, in BMS's judgment in its sole discretion, one or more Patents that are Controlled by a Third Party ***, and if BMS obtains a license to such Patents (any such licenses, "Required Licenses"), then *** of the consideration actually paid under such Required Licenses by BMS for the sale of such Licensed Compound or Product in a country for a Calendar Quarter shall be creditable against the royalty payments due to FivePrime by BMS with respect to the sale of such Licensed Compound or Products in such country; provided no event shall this Section 8.4.3 cause the royalty rate with respect to such Product in such country for such Calendar Quarter to be reduced below *** of what would otherwise be due, it being understood that the reductions set forth in clauses 8.4.4, 8.4.5, and 8.5 may further reduce the royalty rate with respect to such Product.

For clarity, this Section 8.4.3 shall not apply to licenses to intellectual property relating to one or more specific Licensed Compounds by BMS (e.g., composition of matter of a given Compound), but shall apply to licenses to intellectual property relating to compounds or products directed toward a Collaboration Target generally.

8.4.4. Royalty Term. BMS's royalty payment obligation shall expire, on a Product-by-Product and country-by-country basis, on the later of: (i) 12 years after the First Commercial Sale of the Product in such country; (ii) the date on which there is no longer a Valid Claim within the Licensed IP or Collaboration Compound Patents; or (iii) the date on which any applicable regulatory, pediatric, orphan drug or data exclusivity expires (such period, the "Royalty Term"), provided that, in each country in which no Valid Claim within the Licensed IP or Collaboration Compound Patents Covers the sale of a Product in such country, the royalty rates set forth in Section 8.4.1 for such Product for such country shall be reduced by *** for so long as no such Valid Claim Covers the sale of a Product in such country. After expiration of the Royalty Term, all licenses granted by FivePrime to BMS under this Agreement shall be deemed to be fully paid-up and royalty-free licenses.

8.4.5. Third Party Payments. FivePrime shall bear all Third Party license payments, milestones, royalties, damages and other payments owed as a result of the use of the FivePrime Platform Technology or the Initial Included Collaboration Targets with respect to: (A) intellectual property (including Patents) that is licensed or otherwise Controlled by Five Prime as of the Effective Date or thereafter during the Term; (B) a Court decision, not subject to further appeal, holding FivePrime infringed Third Party intellectual property during the development, use or practice of the FivePrime Platform Technology and/or an Included Collaboration Target before the Effective Date; (C) settlement by FivePrime of a Third Party allegation that FivePrime infringed Third Party intellectual property during the development, use or practice of the FivePrime Platform Technology and/or an Included Collaboration Target before the Effective Date; or (D) is intellectual property with respect to which FivePrime received, before the Effective Date, written notice of potential infringement from a Third Party who Controlled such Patent and FivePrime did not disclose same to BMS in writing prior to the Effective Date.

8.4.6. Reports; Payment of Royalty. During the Term, and following the First Commercial Sale of any Product, BMS shall within *** after the end of each Calendar Quarter

furnish to FivePrime a written report for such Calendar Quarter showing (i) for each of the Major Markets, on a Product-by-Product basis, the Net Sales and royalties due during such Calendar Quarter, and (ii) for all other sales outside of the Major Markets, on a Product-by-Product basis, the Net Sales and royalties due during such Calendar Quarter. BMS shall pay all royalties due under this Agreement with respect to a Calendar Quarter within *** after the end of each Calendar Quarter.

8.4.7. Payment Date. If BMS fails to pay any such undisputed fees, milestone payments, royalties or any other payments according to this Agreement in full on or before such date, interest on such amount shall accrue at a rate of interest of *** above the average rate of the three months LIBOR as published in the *Wall Street Journal,* Eastern U.S. Edition, effective for the applicable days of the period of default. BMS shall keep complete and accurate records in sufficient detail to enable the royalties payable hereunder to be determined.

8.4.8. Audits.

(a) Upon *** prior written request of FivePrime and not more than *** in during any Calendar Year, BMS shall permit an independent certified public accounting firm of nationally recognized standing selected by FivePrime, at FivePrime's expense, to have access during normal business hours to such of the records of BMS as may be reasonably necessary to verify the accuracy of royalty reports hereunder for any year ending not more than *** months prior to the date of such request; provided that if FivePrime has timely commenced an audit with respect to any earlier time period and such audit shall be pending or its results disputed, FivePrime shall have continued access to the records of such earlier time period. The accounting firm shall disclose to FivePrime whether the royalty reports are correct or incorrect, the amount of any royalty discrepancy, as well as the calculation of the foregoing.

(b) If such accounting firm correctly identifies an underpayment made by BMS during such period, BMS shall pay FivePrime 100% of the amount of the underpayment, plus applicable interest as set forth in Section 8.4.5, within sixty (60) days of the date FivePrime delivers to BMS such accounting firm's written report so concluding, or as otherwise agreed upon in writing by the Parties. FivePrime shall pay the fees charged by such accounting firm; provided, however, if such audit uncovers an underpayment by BMS that exceeds *** of the total payment due for the period under audit, then BMS shall pay the fees of such accounting firm whether previously paid by FivePrime or then due. In the event that the accounting firm uncovers an overpayment by BMS, then BMS shall credit such overpayment against any royalty payments owing in the Calendar Quarter following the Calendar Quarter in which such audit was completed, such future royalty payments to be adjusted accordingly on a carry-forward basis until such overpayment amount has been fully credited against future royalties owing to FivePrime.

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(c) BMS shall include in each sublicense granted by it pursuant to this Agreement a provision requiring the sublicensee to make reports to BMS, to keep and maintain records of sales made pursuant to such sublicense and to grant access to such records by FivePrime's independent accountant to the same extent required of BMS under this Agreement.

(d) FivePrime shall treat all financial information subject to review under this Section 8.4.6 or under any sublicense agreement in accordance with the confidentiality and non-use provisions of this Agreement, and shall cause its accounting firm to enter into an acceptable confidentiality agreement with BMS or its Affiliates obligating it to retain all such information in confidence pursuant to such confidentiality agreement.

8.5 Reductions in Economics in Certain Cases.

8.5.1. Reduction Due to Time. If the *** for a Licensed Compound or Product is ***, then any payments due to FivePrime under Sections 8.3 and 8.4 for such Licensed Compound or Product shall be reduced (cumulatively, and after giving effect to clauses 8.4.2, 8.4.3, 8.4.4 and 8.4.5) in accordance with the table below and Section 8.5.2 (if applicable); provided that the following reductions shall not apply in the event that a Valid Claim within the Licensed IP or Collaboration Compound Patents Covers such Licensed Compound or Product (in the applicable country or territory):

*** with respect to Licensed Compound or Product	*** under Sections 8.3 and 8.4 payable to Five Prime[1]
***	***
***	***
***	***
***	***
***	***
***	***
***	***
***	***

8.5.2. Reduction for BMS I-O Crossover Compounds. Any payments due to FivePrime under Sections 8.3 and 8.4 above that relate to a BMS I-O Crossover Compound shall be reduced (cumulatively, and after giving effect to clauses 8.4.2, 8.4.3, 8.4.4 and 8.4.5) by ***;

1 After giving effect to clauses 8.4.2, 8.4.3,8.4.4 and 8.4.5

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provided that such reduction shall not apply in the event that a Valid Claim within the Licensed IP or Collaboration Compound Patents Covers such Licensed Compound or Product (in the applicable country or territory).

8.6 Payment Method and Exchange Rate. BMS shall pay all amounts due hereunder in United States dollars by wire transfer of immediately available funds to the bank account FivePrime designates in writing from time to time. Conversion of sales recorded in local currencies to United States dollars shall be performed in a manner consistent with BMS's normal practices used to prepare its audited financial statements for internal and external reporting purposes.

8.7 Withholding Tax. If applicable Law requires withholding of any taxes imposed upon FivePrime on account of any royalties and advance payments paid under this Agreement, BMS shall withhold such taxes as required by such Law from such remittable royalty and advance payment and timely pay such withheld taxes to the proper tax authorities. BMS shall promptly secure official receipts of payment of any withholding tax and send such receipts to FivePrime as evidence of such payment. BMS shall cooperate with FivePrime in the event FivePrime claims exemption from such withholding or seeks deductions under any double taxation or other similar treaty or agreement from time to time in force.

9. Confidentiality and Publication.

9.1 Confidential Information. "Confidential Information" means any data, information or material disclosed by one Party (the "Disclosing Party") in writing, visually, orally or in electronic medium to the other Party (the "Receiving Party") under this Agreement. In addition, (A) Know-How generated under this Agreement by one Party and as to which the other Party holds an exclusive license or has a right to receive an exclusive license shall be treated as Confidential Information of both Parties so long as such license or right remains in effect, and (B) any Know-How relating to Excluded Proteins generated pursuant to this Agreement shall be Confidential Information of both Parties. With respect to Know-How described in clause (A) above, once such exclusive license or right to receive an exclusive license terminates (or the scope of an exclusive license is reduced), the related Know-How shall be treated as the Confidential Information of the Party that generated such Know-How. Except as expressly set forth herein, the terms of this Agreement and the Know-How generated under this Agreement shall be the Confidential Information of both Parties and both Parties shall have the obligations set forth in this Section 9 with respect thereto.

9.2 Nondisclosure Obligation. Subject to Sections 9.3 and 9.4, unless the Disclosing Party provides prior written consent, the Receiving Party shall maintain in confidence all Confidential Information of the Disclosing Party, shall not disclose such Confidential Information to any Third Party and shall not use such Confidential Information for any purpose except to exercise such Party's rights or fulfill its obligations under this Agreement. The Receiving Party may disclose or otherwise provide access to the Disclosing Party's Confidential Information to its and its Affiliates' respective officers, directors, employees, agents, consultants,

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permitted (sub)licensees, and Contractors ("Agents") as necessary in connection with the exercise of its rights or performance of its obligations under this Agreement; provided that such individuals are subject to obligations of confidentiality and non-use that are consistent with the terms of this Agreement. The Receiving Party shall be responsible for and liable under this Agreement with respect to any breach of its confidentiality and non-use obligations caused by its Agents.

9.3 Exceptions. Each Party's confidentiality and non-use obligations under this Agreement shall not apply to any portion of the Confidential Information of the Disclosing Party that the Receiving Party can demonstrate with competent written proof:

9.3.1. Is known by the Receiving Party at the time of its receipt, without obligation of confidentiality or non-use, and not through a prior disclosure by the Disclosing Party, as documented by the Receiving Party's written records;

9.3.2. Is in the public domain before its receipt from the Disclosing Party, or thereafter enters the public domain through no fault of the Receiving Party or with the consent of the Disclosing Party;

9.3.3. Is subsequently disclosed to the Receiving Party, without obligation of confidentiality or non-use, by a Third Party who may lawfully do so and who is not under an obligation of confidentiality to the Disclosing Party; or

9.3.4. Is developed by the Receiving Party independently of Confidential Information received from the Disclosing Party and without the aid, application or use of the Disclosing Party's Confidential Information, and such independent development can be properly documented by the Receiving Party.

Any combination of features or disclosures shall not be deemed to fall within the foregoing exclusions merely because individual features are published or available to the general public or in the rightful possession of the Receiving Party unless the combination itself and principle of operation are published or available to the general public or in the rightful possession of the Receiving Party.

9.4 Permitted Disclosure. Nothing in this Section 9 shall restrict the Receiving Party from disclosing Confidential Information of the Disclosing Party to the extent that such disclosure:

9.4.1. Is made to governmental or other regulatory agencies in order to obtain patents addressed in this Agreement or to gain or maintain authorizations to conduct Clinical Trials or to market Products, provided that such disclosure is limited to the extent reasonably necessary to obtain such patents or authorizations and the Receiving Party takes reasonable measures to obtain confidential treatment from regulatory agencies for such information;

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9.4.2. Is made to the Receiving Party's Affiliates, potential and actual sublicensees, employees, officers, directors, agents, consultants, or other Third Parties for purposes the Receiving Party reasonably deems necessary or advisable for the exploitation of its rights or fulfillment of its obligations under this Agreement, provided that all such recipients agree to be bound by, or are otherwise bound by, confidentiality and non-use obligations that are no less stringent than those confidentiality and non-use provisions contained in this Agreement (with potentially a shorter duration no less than *** years from the date such Confidential Information is disclosed to such recipients) and obligations of invention assignment sufficient for such Party to obtain rights from such personnel to meet its obligation to grant licenses to the other Party under this Agreement;

9.4.3. Is required to comply with applicable Law, valid order of a court of competent jurisdiction, or other judicial or administrative process of governmental authority or agency, provided that the Receiving Party shall (i) promptly inform the Disclosing Party of the disclosure that is being sought in order to provide the Disclosing Party, where possible, an opportunity to challenge, limit or receive confidential treatment for the required disclosure, (ii) upon request, reasonably cooperate with any efforts by the Disclosing Party to challenge, limit or receive confidential treatment for, the required disclosure, and (iii) only disclose the minimum Confidential Information necessary to comply, as determined by the Receiving Party's legal counsel.

9.5 Strategic Transactions; Investors. Each Party shall have the right to disclose non-public information related to the terms and conditions of this Agreement solely if and to the extent necessary (as reasonably determined by its legal counsel) to be disclosed in the context of a Strategic Transaction, to Third Parties and their counsel with whom such Party is negotiating a Strategic Transaction or to accredited investors, qualified institutional buyers, and qualified purchasers and their counsel as such terms are defined in the United States securities Laws and each of whom is subject to written obligations of confidentiality no less restrictive than those set forth in this Agreement.

9.6 Publicity. Promptly following the Effective Date, FivePrime may issue a public announcement of the execution of this Agreement in the form of the press release attached hereto as Exhibit B and on such date and time as may be agreed by the Parties. Any other proposed publication, news release or other public announcement by a Party relating to this Agreement, the terms and conditions set forth herein, or to the performance hereunder that would disclose information other than that already expressly in the public domain prior to such publication, news release or other public announcement, shall only be made with the prior written consent of the other Party. For clarity, neither Party shall be obligated to obtain consent to re-issue or reiterate information previously specifically disclosed with the consent of the other Party. Notwithstanding the foregoing, FivePrime shall have the right to disclose publicly: (i) the fact that it is engaged in a research collaboration with BMS under this Agreement; (ii) the occurrence of any milestone event listed in Section 8.3.1 and the amount of the milestone payment for such milestone event under Section 8.3.1; and (iii) the occurrence of the First Commercial Sale of any Product. For each such disclosure, FivePrime shall provide BMS with a draft of such disclosure

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at least *** Business Days prior to its intended release for BMS's review and comment, and FivePrime shall consider in good faith the incorporation of any such comments from BMS. If FivePrime does not receive comments from BMS within *** Business Days after FivePrime provides such draft to BMS, then FivePrime shall have the right to make such disclosure without further delay. In addition, FivePrime shall have the right to list all Products on its website and in presentations of its product pipeline, identifying such Products with FivePrime's or BMS's internal reference number only and use BMS's logos and name in connection therewith to indicate that such Products are products under a collaboration with BMS.

9.7 Publications. BMS shall have the right to publish manuscripts, abstracts, presentations or other articles in scientific journals or at scientific conferences relating to any Collaboration Target or Product without obtaining the prior written consent of FivePrime; provided, however, that FivePrime shall have the right to review and comment upon each such manuscript, abstract, presentation or other article in which a FivePrime employee is also named as an author and BMS shall consider such comments in good faith. FivePrime shall have the right to publish manuscripts, abstracts, presentation or other articles in scientific journals or at scientific conferences relating to any Non-Selected Target or Terminated Target without obtaining the prior written consent of BMS; provided, however, that BMS shall have the right to review and comment upon each such manuscript, abstract, presentation or other article in which a BMS employee is also named as an author and FivePrime shall consider such comments in good faith. Either Party may publish manuscripts, abstracts, presentations or other articles in scientific journals or at scientific conferences relating to any Confirmed Hit or Collaboration Target, upon the prior written consent of the other Party, such consent not to be unreasonably withheld, conditioned or delayed. In the event that either Party desires to make a publication pursuant to this Section 9.6, such Party shall provide a copy of the proposed publication (including abstracts, or presentation to a journal, editor, meeting, seminar or other third party) to the other Party for comment at least *** days prior to submission of such proposed manuscript for publication; the object being to prevent either the endangerment of applications for the protection of property rights by premature publications detrimental to their novelty or the disclosure of Confidential Information. If, during the *** days specified above the non-publishing Party notifies the other Party that a proposed publication contains patentable subject matter that requires protection, the non-publishing Party may by written notice delay the publication for a period of time not to exceed *** days from the date of such written notice to seek appropriate patent protection for any subject matter in such publication that it reasonably believes may be patentable. The publishing Party shall delete from the proposed publication prior to submission all Confidential Information of the non-publishing Party that the non-publishing Party identifies in good faith and requests to be deleted.

10. Intellectual Property.

10.1 Ownership of Inventions.

10.1.1. Jointly Owned Collaboration IP. FivePrime and BMS shall each own an undivided one-half right, title and interest in and to the Collaboration Target Patents (other

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than Collaboration Target Patents which are Controlled by Five Prime as of the Effective Date, which shall be owned solely by FivePrime), Collaboration Target Know-How, Collaboration Other Patents and Collaboration Other Know-How. Except to the extent that FivePrime's interests in the Collaboration Target Patents, Collaboration Target Know-How, Collaboration Other Patents and Collaboration Other Know-How are exclusively licensed to BMS (even as to FivePrime) under this Agreement or as may otherwise be expressly set forth herein, each Party may exploit, license, or sublicense (with the right to further sublicense) the Collaboration Target Patents, Collaboration Target Know-How, Collaboration Other Patents and Collaboration Other Know-How without the consent of, or a duty of accounting to, the other Party. BMS hereby assigns to FivePrime (i) an undivided one-half interest in, to and under any Collaboration Target Patents, Collaboration Target Know-How, Collaboration Other Patents and Collaboration Other Know-How that is invented or created solely by BMS or by Persons having an obligation to assign such rights to BMS, and (ii) all of BMS's right, title and interest in, to and under any FivePrime Platform Patent that is invented or created solely by BMS or by Persons having an obligation to assign such rights to BMS. FivePrime hereby assigns to BMS an undivided one-half interest in, to and under any Collaboration Target Patents (other than Collaboration Target Patents which are Controlled by Five Prime as of the Effective Date, which as between the Parties shall remain owned solely by FivePrime), Collaboration Target Know-How, Collaboration Other Patents and Collaboration Other Know-How that is invented or created solely by FivePrime or by Persons having an obligation to assign such rights to FivePrime.

10.1.2. Collaboration Compound IP. Ownership of any Collaboration Compound Patent or Collaboration Compound Know-How shall be determined by inventorship and inventorship for any patentable invention within such Collaboration Compound Patent or Collaboration Compound Know-How shall be determined in accordance with United States patent laws.

10.1.3. Cooperation. Each Party shall cooperate with the other Party to effect assignments set forth in Section 10.1.1 and Section 10.1.2, including by executing such documents as such other Party may reasonably request.

10.2 Filing, Prosecution and Maintenance of Patents.

10.2.1. Rights and Responsibilities with Respect to Certain Patents.

(a) As between the Parties, FivePrime shall have the sole right, at its sole discretion and expense, to prepare, file, prosecute and maintain: (i) FivePrime Platform Patents; and (ii) FivePrime Patents. For clarity, in no event shall BMS obtain the rights to prepare, file, prosecute or maintain Patents Controlled by FivePrime that are directed to FivePrime Platform Technology, FivePrime Know-How (other than to the extent that Five Prime Know-How becomes patentable as a Collaboration Target Patent or a Collaboration Compound Patent), or any Excluded Protein.

(b) As between the Parties, BMS shall have the sole right, at its discretion and expense, to prepare, file, prosecute and maintain all Patents constituting BMS Background Patents. For clarity, in no event shall FivePrime obtain the rights to prepare, file, prosecute or maintain Patents Controlled by BMS, including the BMS Existing Compound Patents, that are directed to any BMS Excluded Compounds, BMS Pre-Existing Compounds or BMS Excluded Proteins.

10.2.2. Collaboration Patents.

(a) Collaboration Other Patents.

(i) The Parties will be jointly responsible for, and shall cooperate to prepare, file, prosecute and maintain all Collaboration Other Patents, using mutually agreed upon outside counsel ("Outside Counsel") with each Party bearing 50% of the reasonable, documented out-of-pocket costs and expenses incurred in connection with the preparation, filing, prosecution and maintenance of such Collaboration Other Patents, including the costs of Outside Counsel incurred with respect thereto. However, if one Party desires not to pursue patent protection with respect to certain Collaboration Other Know-How or Collaboration Other Patents it shall notify the other Party to that effect. In such event, if the other Party desires to pursue such protection, then such other Party shall have the right to instruct Outside Counsel to prepare, file, prosecute and maintain such Collaboration Other Patents at such other Party's sole expense and sole discretion. The foregoing notwithstanding, in the event that one Party elects, in accordance with this Section 10.2.2(a)(i), not to pursue and, if applicable, share costs to prepare, file, prosecute and maintain a given Collaboration Other Patent or not to pursue patent protection with respect to Collaboration Other Know-How, then such non-paying or non-pursuing Party shall have no further rights under this Agreement to participate in any aspects of the preparation, filing, prosecution and maintenance of such Collaboration Other Patent.

(ii) Notwithstanding Section 10.2.2(a)(i), after the Research Term, BMS shall control and bear all costs of preparing, filing, prosecuting, maintaining and defending each Collaboration Other Patent that is within the Licensed IP for so long as such Collaboration Other Patent is within the Licensed IP. If any such Collaboration Other Patent ceases to be within the Licensed IP (including because a Collaboration Target becomes a Terminated Target), then thereafter FivePrime shall control and bear all costs of preparing, filing, prosecuting, maintaining and defending such Collaboration Patent.

(b) Compound Patents and Collaboration Target Patents.

(i) BMS shall have the first right, but not the obligation, to prepare, file, prosecute and maintain, at its sole cost and expense, all (X) Compound Patents Controlled by BMS or exclusively licensed to BMS hereunder and (Y) Collaboration Target Patents with respect to each Collaboration Target, in each case ((X)

and (Y)) using Outside Counsel. If BMS desires not to exercise its right to pursue patent protection with respect to certain Collaboration Compound Know-How, Collaboration Compound Patents, Collaboration Target Know-How or Collaboration Target Patents, then BMS shall notify FivePrime to that effect. In such event, if FivePrime desires to pursue such protection, then FivePrime shall have the right to instruct Outside Counsel to prepare, file, prosecute and maintain such Collaboration Compound Patents and Collaboration Target Patents at FivePrime's sole expense and sole discretion.

(ii) FivePrime shall have the right, but not the obligation, to prepare, file, prosecute and maintain, at its sole cost and expense, all (X) Collaboration Compound Patents not Controlled by BMS or exclusively licensed to BMS hereunder and (Y) Collaboration Target Patents with respect to each Non-Selected Target or Terminated Target (including for clarity Reverted Target Patents).

10.2.3. Cooperation. In connection with the preparation, filing, prosecution and maintenance of (1) Collaboration Other Patents under Section 10.2.2(a), (2) Collaboration Target Patents under Section 10.2.2(b)(i) and (3) Collaboration Compound Patents under Section 10.2.2(b)(i) for which at least one inventor is obligated to assign such Patent rights to FivePrime (including FivePrime employees and consultants), each Party shall have a reasonable opportunity to review, prior to filing, the draft text of each Collaboration Other Patent application, Collaboration Target Patent application and such Collaboration Compound Patent application, and the draft text of the proposed response to each office action or substantive prosecution document (after the initial application is filed) for each such Collaboration Other Patent, Collaboration Target Patent and Collaboration Compound Patent. Each Party and Outside Counsel shall consult with respect thereto, and each Party's reasonable comments will be taken into account when finalizing any such documents, provided such comments are provided in a timely manner. Each Party shall, as requested by Outside Counsel, cooperate in filing and prosecuting such Collaboration Patent, including providing Outside Counsel and with such Collaboration Know-How as appropriate and executing all necessary paperwork. Outside Counsel shall keep each Party advised of the status of each such Collaboration Patent, and shall promptly give notice to each Party of the grant, lapse, revocation, surrender, invalidation, or abandonment of any such Collaboration Patent.

10.2.4. Certain Actions. All interferences, post-grant reviews, *inter partes* reviews, ex parte reviews, supplemental examinations, oppositions, appeals or petitions to any Board of Appeals in the patent office, the Patent Trial and Appeal Board, appeals to any court for any patent office decisions, reissue proceedings and re-examination proceedings with respect to a Patent shall be considered patent prosecution matters and shall be handled in accordance with this Section 10.2.

10.3 Enforcement and Defense.

10.3.1. Each Party shall give the other Party written notice of any actual or threatened infringement of any FivePrime Patents or Collaboration Patents by an unlicensed

Third Party through the making, having made, using, selling, offering for sale or importing of any product that is within the scope of a commercial License held by BMS (or would be within the scope of such license if such product were a Licensed Product hereunder) (a "Product Infringement"), within *** days after such Party has knowledge of such Product Infringement. BMS and FivePrime shall thereafter consult and cooperate to determine a course of action, including the commencement of legal action by either or both BMS and FivePrime, to terminate any such Product Infringement. However, BMS, upon notice to FivePrime, shall have the first right to initiate and prosecute such legal action at its expense and in the name of FivePrime or BMS, or to control the defense of any declaratory judgment action relating to such Product Infringement, provided that BMS shall not enter into any settlement or compromise that would materially diminish or adversely affect the scope, exclusivity or duration of any FivePrime Patents, Collaboration Patents or FivePrime's rights under this Agreement, without FivePrime's prior written consent.

10.3.2. In the event that BMS elects not to initiate and prosecute an action pertaining to a Product Infringement, and FivePrime elects to do so, FivePrime shall bear the costs of any agreed-upon course of action to terminate such Product Infringement, including the costs of any legal action commenced or the defense of any declaratory judgment, except that FivePrime shall not be responsible for any costs incurred by BMS unless such costs were incurred at FivePrime's written request. FivePrime shall have the right to join BMS as a party to such action if BMS is a necessary party to such action.

10.3.3. In connection with any action under this Section 10.3, BMS and FivePrime will reasonably cooperate and will provide each other with any information or assistance that either may reasonably request. Each Party shall keep the other informed of developments in any such action or proceeding, including, to the extent permissible by applicable Law, consultation on and approval of any settlement, the status of any settlement negotiations and the terms of any offer related thereto. Each Party shall have the right to be represented by counsel of its own choice at its own expense for any action set forth in this Section 10.3.

10.3.4. If a Party desires to bring an enforcement action under a Collaboration Patent, but is unable to do so solely in its own name, the other Party will, at the request of the enforcing Party, join such action as a party and will reasonably cooperate and cause its Affiliates to reasonably cooperate to execute all documents necessary for the enforcing Party to initiate litigation to prosecute and maintain such action.

10.3.5. Any recovery obtained by either or both BMS and FivePrime in connection with or as a result of any action contemplated by this Section 10.3, whether by settlement or otherwise, shall be shared in order as follows:

(a) The Party that initiated and prosecuted the action shall recoup all of its costs and expenses incurred in connection with the action;

(b) The other Party shall then, to the extent possible, recover its costs and expenses incurred in connection with the action; and

(c) The Party initiating such action shall retain any remainder, and in the event BMS is such Party, such remainder shall be deemed Net Sales and subject to the royalty payments to FivePrime under Section 8.4.

10.4 Defense Against Claims of Infringement of Third Party Patents. If a Third Party asserts that a Patent or other right owned or otherwise controlled by it is or has been infringed by the manufacture, use, sale, offer for sale or import of a Compound, Product, or Collaboration Target, the Party first obtaining knowledge of such a claim shall promptly provide the other Party written notice of such claim along with the related facts in reasonable detail. In such event, unless the Parties otherwise agree, as between the Parties BMS shall have the first right, but not the obligation, at its expense, to control the defense of such claim with respect to such Compound or Product. If BMS does not wish to defend such claim, or wishes to cease defending such claim, it shall notify FivePrime of such decision at least *** days before any deadline for any action or filing that is required in order to preserve any rights. Thereafter, FivePrime shall have the right, but not the obligation, at its expense, to control the defense of such claim. Each Party shall cooperate with the defending Party, at the defending Party's reasonable request and expense, and shall have the right to be represented separately by counsel of its own choice, but at its own expense. The defending Party shall also control settlement of such claim; provided, however, that no settlement shall be entered into without the prior consent of the other Party if such settlement would adversely affect the rights and benefits of, or impose or adversely affect any obligations on, the other Party, such consent not to be unreasonably withheld, delayed or conditioned.

11. Representations, Warranties and Covenants.

11.1 Representations and Warranties of Each Party. Each Party represents and warrants to the other Party that as of the Effective Date that:

11.1.1. It has the full right, power and authority to enter into this Agreement and to perform its obligations hereunder;

11.1.2. This Agreement has been duly executed by it and is legally binding upon it, enforceable against such Party in accordance with its terms, except as such enforceability may be subject to applicable bankruptcy, reorganization, insolvency, moratorium and similar Laws affecting the enforcement of creditors' rights generally and by general principles of equity; and

11.1.3. The execution and delivery by such Party of this Agreement does not conflict in any material fashion with the terms of any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any material applicable Law.

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11.2 FivePrime Representation and Warranties. FivePrime represents and warrants to BMS that as of the Effective Date:

11.2.1. It has the full right, power and authority to grant the licenses granted under this Agreement; and

11.2.2. It has not received notice of any threatened or pending actions, suits or proceedings against FivePrime involving the FivePrime Platform Technology or Collaboration Targets.

11.2.3. No person, other than former or current employees of FivePrime who are obligated in writing to assign his/her inventions to FivePrime, respectively, is an inventor of any of the inventions claimed in the Collaboration Target Patents existing as of the Effective Date. All inventors of any inventions included within the Collaboration Target Patents that are existing as of the Effective Date have assigned or have a contractual obligation to assign their entire right, title and interest in and to such inventions and the corresponding Patent rights to FivePrime, as the case may be. No present or former employee or consultant of FivePrime owns or has any proprietary, financial or other interest, direct or indirect, in the Collaboration Target Patents. To FivePrime's knowledge, there are no claims that have been asserted in writing challenging the inventorship of the Collaboration Target Patents.

11.2.4. All information provided by FivePrime to BMS for due diligence purposes in relation to this Agreement is accurate in all material respects, and FivePrime has not omitted to supply BMS with any material information in its possession concerning any Licensed IP.

11.2.5. It has not received written notice from any Third Party nor is there any legal proceeding pending or, to FivePrime's knowledge, threatened against FivePrime alleging that the use of the Licensed IP as permitted to be used under this Agreement infringes any intellectual property of any Third Party.

11.3 BMS Representation and Warranties. BMS represents and warrants to FivePrime that as of the Effective Date:

11.3.1. It has the full right, power and authority to grant the licenses under this Agreement; and

11.3.2. It has not previously assigned, transferred, conveyed or otherwise encumbered its right, title and interest in BMS Background Know-How or BMS Background Patents, if any, in any manner that would prevent it from granting the licenses set forth in Section 6.2.

11.4 Covenants. During the Research Term, neither Party will knowingly use any material, technology or intellectual property rights in the conduct of the Research Plan that, to its knowledge, is encumbered by any Third Party restriction or any Third Party right or obligation

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that would conflict or interfere with any of the rights or licenses granted to, or to be granted to, the other Party hereunder. As part of any amendment to the Research Plan by the JRC, the JRC members of each Party shall inform the JRC members of the other Party of any potential Third Party Patents or proprietary Know-How that may be required to perform any activity to be added to the Research Plan as a result of such amendment, and the Parties shall discuss in good faith, and take into consideration and agree on a strategy on such Third Party Patents or proprietary Know-How in finalizing the amendment to the Research Plan.

11.5 Warranty Disclaimer. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY MAKES ANY WARRANTY WITH RESPECT TO ANY PATENTS, KNOW-HOW, LICENSES, TECHNOLOGY, SERVICES, RIGHTS OR OTHER SUBJECT MATTER OF THIS AGREEMENT AND HEREBY DISCLAIMS ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT WITH RESPECT TO ANY AND ALL OF THE FOREGOING.

12. Term and Termination.

12.1 Term and Expiration. The term of this Agreement (the "Term") shall commence on the Effective Date and, unless terminated earlier pursuant to this Section 12, shall expire on a Product-by-Product and country-by-country basis upon the expiration of all payment obligations under Section 8, after which the licenses granted by FivePrime to BMS in Section 6 with respect to such Product in such country shall become fully paid-up, perpetual and non-exclusive.

12.2 Termination at Will. BMS shall have the right, in its sole discretion, to terminate (i) this Agreement in its entirety, or (ii) this Agreement on a Collaboration Target-by-Collaboration Target basis, in each case of (i) or (ii) without cause at any time during the Term, by giving FivePrime *** days' prior written notice if such termination is during the Research Term and *** days' prior written notice if such termination is subsequent to the Research Term. In such event, FivePrime shall use reasonable efforts to wind down its efforts under the Research Program (if applicable) and BMS shall remain responsible for all liabilities and obligations incurred or accrued as provided in Section 8 prior to the effective date of such termination. If such termination occurs during the Research Term, and where such termination relates to the entire *** Project or the entire *** Project, the minimum number of FTEs to be funded by BMS (as described in the proviso of Section 3.2.2) shall be reduced by ***.

12.3 Termination for Cause. In addition to any other remedies conferred by this Agreement or by law, either Party may terminate this Agreement in its entirety, or terminate on a Collaboration Target-by-Collaboration Target basis (at the terminating Party's election), at any time during the Term upon written notice by either Party if the other Party is in breach of its material obligations hereunder and has not cured such breach within *** days after such notice for any payment breach, or, as the case may be, *** days after such notice for any breach other than a payment breach; provided, however, in the event of a good faith dispute with respect to

the existence of a material breach, the ***-day or ***-day cure period, as applicable, shall be tolled until such time as the dispute is resolved pursuant to Section 14.6. If such alleged breach is contested in good faith by the breaching Party in writing within the applicable cure period, then the dispute resolution procedure pursuant to Section 14.6 may be initiated by either Party to determine whether a material breach has actually occurred. If such breach is confirmed in accordance with the procedure set forth in Section 14.6 and not cured within *** days after the receipt of a decision by the arbitrators confirming such breach, the non-breaching Party shall have the right, on written notice to the breaching Party, to terminate this Agreement it its entirety or on a Collaboration Target-by-Collaboration Target basis effective immediately.

12.4 Termination for Bankruptcy. Either Party may terminate this Agreement, if, at any time, the other Party shall file in any court or agency pursuant to any applicable Law, a petition in bankruptcy or insolvency or for reorganization or for an arrangement or for the appointment of a receiver or trustee of the Party or of substantially all of its assets, or if the other Party proposes a written agreement of composition or extension of substantially all of its debts, or if the other Party shall be served with an involuntary petition against it, filed in any insolvency proceeding, and such petition shall not be dismissed within *** calendar days after the filing thereof, or if the other Party shall propose or be a party to any dissolution or liquidation, or if the other Party shall make an assignment of substantially all of its assets for the benefit of creditors. All rights and licenses granted under or pursuant to any section of this Agreement are and shall otherwise be deemed to be for purposes of 11 U.S.C. §365(n) licenses of rights to "intellectual property" as defined in 11 U.S.C. §101(35A). The Parties shall retain and may fully exercise all of their respective rights and elections under the Bankruptcy Code of the United States. Upon the bankruptcy of any Party, the non-bankrupt Party shall further be entitled to a complete duplicate of, or complete access to, any such intellectual property, and such, if not already in its possession, shall be promptly delivered to the non-bankrupt Party, unless the bankrupt Party elects to continue, and continues, to perform all of its obligations under this Agreement.

12.5 Consequence of Termination.

12.5.1. In the event BMS terminates this Agreement or a Collaboration Target under Section 12.2 at will or FivePrime terminates this Agreement under Section 12.3 for BMS's uncured material breach (in the event the termination is only effective for a particular Collaboration Target, then the following shall apply solely with respect to such Protein, as the case may be):

(a) Within *** days after the termination effective date, BMS shall pay all amounts payable to FivePrime hereunder that have accrued but have not been paid as of the effective date of termination with respect to each Terminated Target and Products with respect to such Terminated Target, as applicable, and with respect to Quarterly Research Payments pursuant to Section 8.2, pro rated as of the effective date of termination.

(b) If this Agreement is terminated with respect to a Collaboration Target but not as a whole, then such Collaboration Target shall cease to be a Collaboration Target and shall thereafter be deemed a Terminated Target under this Agreement. In such event, BMS's licenses under Section 6.1 with respect to such Terminated Target shall become non-exclusive without the right to grant sublicenses (except to bona fide third party collaborators or contract service providers with respect to the development or commercialization of one or more specific compounds or products), except that such licenses shall not apply with respect to Compounds or products that are in-licensed or acquired by BMS subsequent to the date of such termination. Without limiting the foregoing, FivePrime shall have the right to, in its sole discretion (but subject to obtaining a license from BMS as described in clauses 12.5(e), to the extent applicable) and further subject to clause12.5(g), to unilaterally research, develop and commercialize compounds and products with respect to such Terminated Target, either by itself or with any Third Party.

(c) If this Agreement is terminated in its entirety, then all then-existent Confirmed Hits and Collaboration Targets shall cease to be Confirmed Hits or Collaboration Targets, respectively, and shall thereafter be deemed Non-Selected Targets and Terminated Targets, respectively, under this Agreement. BMS shall have no further rights to any Licensed IP with respect such Non-Selected Targets or Terminated Targets. Without limiting the foregoing, FivePrime shall have the right to, in its sole discretion, but subject to obtaining a license from BMS as described in clauses 12.5(e) (to the extent applicable), research, develop and commercialize all compounds and products with respect to such Non-Selected Targets and Terminated Targets, either by itself or with any Third Party, without regard to anything to the contrary in this Agreement.

(d) No later than *** days after the Termination Date, each Receiving Party shall return to the Disclosing Party (or, at the Disclosing Party's request, shall destroy) all of the Disclosing Party's Confidential Information (including all copies thereof) that are in such Party's possession; provided, however, that the Receiving Party may retain one archival copy of the Disclosing Party's Confidential Information in its confidential files solely for purposes of identifying its continuing obligations under this Agreement with respect thereto. However, to the extent that BMS retains a Commercial License to one or more Collaboration Targets after the Termination Date, BMS may retain any Confidential Information received from FivePrime that is within the scope of such continuing license.

(e) Except in the case of any termination by BMS for Safety Reasons (in which case, this clause (e) shall be of no force or effect), at FivePrime's election, exercisable by written notice within *** days after termination of this Agreement or termination with respect to a Collaboration Target, the Parties will negotiate in good faith (but without any obligation to enter into an agreement) a license or sublicense (which may be exclusive), as applicable, with the right to grant sublicenses (and further sublicenses through multiple tiers of sublicensees), under all (or certain of) BMS Background Patents, BMS Background Know-How, BMS's interest in the Collaboration

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Compound Patents and Collaboration Compound Know-How (it being understood that Five-Prime shall have an exclusive license under each Reverted Target Patent and all Reverted Target Know-How pursuant to Section 6.2.2, and the ability to operate non-exclusively under Collaboration Other Patents and Collaboration Other Know-How pursuant to Section 10.1), and other Patents that are Controlled by BMS that are necessary or reasonably useful to make, have made, use, sell, offer for sale or import any pharmaceutical product containing a Compound that is primarily intended for use against or to modulate a Terminated Target (alone or with other active ingredients), in all forms, presentations, formulations and dosage forms that binds to and inhibits, activates or otherwise modulates the activity of such Terminated Target, including (as applicable and subject to agreement) Compounds or Products (each such product a "Terminated Product"). To the extent that there are inventions that are not claimed in a Patent at the time of termination and that BMS determines, in its sole discretion, not to protect as a trade secret or Know-How and that are directed to a Terminated Product, BMS will file or allow FivePrime to file a Patent directed to such inventions at FivePrime's sole expense. BMS will, at the request of FivePrime, reasonably cooperate to execute and cause its Affiliates to execute all documents necessary for the FivePrime to file such Patent.

(f) No later than *** days after the Termination Date, each Materials Receiving Party shall return to the Materials Transferring Party (or, at the Materials Transferring Party's request, shall destroy) all of the Materials Transferring Party's Materials (including all progeny or derivatives thereof) that are remaining in such Party's possession. However, to the extent that BMS retains a Commercial License to one or more Collaboration Targets after the Termination Date, BMS may retain any Materials received from FivePrime that are within the scope of such continuing license.

12.5.2. In the event that BMS terminates this Agreement under Section 12.3 for FivePrime's uncured material breach, BMS's license according to Section 6.1 shall remain in full force and effect on its own terms, provided that BMS fulfills its payment obligations and other obligations under Section 8 net of any money damages for which FivePrime was found liable in any Arbitration with respect to such uncured material breach.

12.6 Effect of Expiration or Termination Generally; Survival. Expiration or termination of this Agreement shall not relieve the Parties of any obligation accruing prior to such expiration or termination. Any expiration or termination of this Agreement shall be without prejudice to the rights of either Party against the other accrued or accruing under this Agreement prior to expiration or termination, including the obligation to pay royalties for Product(s) sold prior to such expiration or termination. Termination of this Agreement is without prejudice to any of the other rights and remedies conferred on the non-breaching Party by this Agreement or under law or equity, including with respect to payment of any amounts by the non-breaching Party to the breaching Party after termination by the non-breaching Party pursuant to this Section 12. The provisions set forth in Section 3.3, Section 3.5, Section 6.1.6, Section 6.2.2, Section 6.3, Section 6.4.1, Sections 8.3 through 8.7 (in each case solely with respect to Post-Termination

Compounds), Section 11.3, Section 12.5, and Articles 1, 9, 10, 13, and 14 shall survive any expiration or termination of this Agreement for the time periods set forth therein and if no time period is specified, then indefinitely.

13. Indemnification.

13.1 Indemnification by FivePrime. FivePrime shall indemnify, defend and hold BMS, its Affiliates and its and their respective agents, employees, officers and directors (each a "BMS Indemnitee") harmless from and against any and all Third Party claims, suits, actions, demands, judgments, liabilities, expenses or losses, including reasonable legal expenses and attorneys' fees (collectively, "BMS Losses"), to which any BMS Indemnitee may become subject to the extent such BMS Losses are directly or indirectly caused by or otherwise arise out of or in connection with: (i) the performance by FivePrime (or its Affiliates, sublicensees or subcontractors) of FivePrime's obligations under this Agreement (except to the extent directed by BMS); (ii) the material breach by FivePrime, its Affiliates, its sublicensees or subcontractors of any covenant, representation or warranty or other agreement made by FivePrime in this Agreement; (iii) FivePrime's development, use or practice of the FivePrime Platform Technology and/or an Included Collaboration Target before the Effective Date, including but not limited to infringement or allegations of infringement of a Third Party patent; or (iv) the negligence or willful misconduct of FivePrime or its Affiliates; except, in each case, to the extent such BMS Losses result from: (a) the material breach by BMS, its Affiliates, sublicensees, subcontractors or distributors of any covenant, representation, warranty or other agreement made by BMS in this Agreement; (b) the negligence or willful misconduct of any BMS Indemnitee; or (c) allegations that the use or practice of the FivePrime Platform Technology in connection with the Research Program infringes a Patent that is Controlled by a Third Party.

13.2 Indemnification by BMS. BMS shall indemnify, defend, and hold FivePrime, its Affiliates and its and their respective agents, employees, officers and directors (each a "FivePrime Indemnitee") harmless from and against any and all Third Party claims, suits, actions, demands, judgments, liabilities, expenses, or losses, including reasonable legal expenses and attorneys' fees (collectively, "FivePrime Losses") to which any FivePrime Indemnitee may become subject to the extent such FivePrime Losses are directly or indirectly caused by or otherwise arise out of or in connection with: (i) the performance by BMS (or its Affiliates, sublicensees or subcontractors) of BMS's obligations under this Agreement (except to the extent directed by FivePrime); (ii) the practice by BMS, its sublicensees, or its Affiliates of any license or sublicense granted to BMS hereunder, through the manufacture, use, sale, offer for sale or importation of a Collaboration Target, Compound or Product or otherwise; (iii) the manufacture, use, handling, storage, importation, exportation, sale, or other disposition by BMS, its Affiliates, sublicensees, subcontractors or distributors of Compound(s) or Product(s); (iv) the use by a Third Party of any Compound or Product sold or otherwise provided by BMS, its Affiliates, sublicensees, subcontractors or distributors; (v) a material breach by BMS or its Affiliates of any covenant, representation, warranty or other agreement made by BMS in this Agreement; or (vi) the negligence or willful misconduct by BMS, its Affiliates, sublicensees, subcontractors or distributors; except, in each case, to the extent such FivePrime Losses result from: (a) the

material breach by FivePrime, its Affiliates, sublicensees or subcontractors of any covenant, representation, warranty or other agreement made by FivePrime in this Agreement, or (b) the negligence or willful misconduct of any FivePrime Indemnitee.

13.3 Notice of Indemnification Obligation and Defense. (As used in this Section 13.3, the term "Losses" shall mean, as applicable, any and all FivePrime Losses or BMS Losses, and "Indemnitees" shall mean, as applicable, any and all FivePrime Indemnitees or BMS Indemnitees.) Any Party entitled to indemnification under Section 13.1 or 13.2 shall promptly give notice to the indemnifying Party of any actual or potential Losses of which it becomes aware that may be subject to indemnification hereunder, but the failure or delay to so notify the indemnifying Party shall not relieve the indemnifying Party from any liability under Section 13.1 or 13.2 except to the extent that the indemnifying Party's ability to defend against such Losses was actually prejudiced as a result of such failure or delay. The indemnifying Party shall have the right to assume and control the defense of such Losses (at its own expense) with outside counsel of its choice and reasonably satisfactory to the indemnified Party; provided, however, that the indemnified Party shall have the right to retain and be represented by its own counsel (at its own expense) in connection therewith. The indemnified Party shall, upon request, cooperate with the indemnifying Party and its legal representatives in connection with the investigation and defense of such Losses, including by providing or otherwise making available information in its possession with respect thereto. Neither Party shall settle or otherwise resolve any claim, suit, action, or demand related to any Losses without the prior written consent of the other Party, if such settlement or other resolution would (i) result in the admission of any liability or fault on behalf of the other Party or its Indemnitees, (ii) result in or impose any payment obligations upon the other Party or its Indemnitees, (iii) or subject the other Party to an injunction or otherwise limit the other Party's ability to take any actions or refrain from taking any actions under this Agreement.

13.4 LIMITATION OF LIABILITY. IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, PUNITIVE, INDIRECT, INCIDENTAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES (INCLUDING ANY CLAIMS FOR LOST PROFITS, SALES, REVENUES OR OPPORTUNITIES) ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT (OR THE EXERCISE OF ITS RIGHTS HEREUNDER) UNDER ANY THEORY OF LIABILITY, AND REGARDLESS OF ANY NOTICE OR KNOWLEDGE OF THE POSSIBILITY OF SUCH DAMAGES.

14. General Provisions.

14.1 Force Majeure. Neither Party shall be held liable to the other Party, nor be deemed to have defaulted under or breached this Agreement, for failure or delay in performing any obligation under this Agreement to the extent such failure or delay is caused by or results from causes beyond the reasonable control of the affected Party, potentially including embargoes, war, acts of war (whether war be declared or not), acts of terrorism, sabotage, insurrections, riots, civil commotions, strikes, lockouts or other labor disturbances, fire, floods, earthquake, or other acts of God, or acts, omissions or delays in acting by any governmental

authority, and that is not caused by the gross negligence or intentional misconduct of such Party (each such event or cause referred to as "Force Majeure"). The affected Party shall notify the other Party in writing of such Force Majeure circumstances as soon as reasonably practical, and shall promptly undertake all reasonable efforts necessary to cure such Force Majeure circumstances and resume performance of its obligations under this Agreement. If circumstances constituting Force Majeure exist for more than *** days, the Parties shall meet to discuss and agree upon a resolution to the problem, if practicable. The foregoing notwithstanding, nothing herein shall require a Party to settle on terms unsatisfactory to such Party any strike, lock-out or other labor difficulty, or any investigation or proceeding by any public authority, or any litigation by any Third Party.

14.2 Assignment. Except as provided in this Section 14.2, neither Party may assign or otherwise transfer this Agreement or any right or obligation hereunder, without the prior written consent of the other Party. Notwithstanding the foregoing, either Party may, without consent of the other Party, assign this Agreement or any of its rights or obligations hereunder in whole or in part to: (i) an Affiliate of such Party; or (ii) its successor in interest in connection with a Strategic Transaction; provided, however, that in the case of assignment to an Affiliate, the assigning Party shall, notwithstanding such assignment, remain responsible for the performance such Affiliate under this Agreement. Any attempted assignment not in accordance with this Section 14.2 shall be null and void and of no legal effect. The terms and conditions of this Agreement shall be binding upon, and shall inure to the benefit of, the Parties and their respected successors and permitted assigns. In the event a Party assigns this Agreement to its acquiror, successor or an Affiliate that becomes an Affiliate of such Party as a result of a merger, acquisition or similar transaction, including by operation of law, any Patents, Know-How or other intellectual property licensed to the other Party under this Agreement shall exclude all Know-How and Patents Controlled by such acquiror, successor or Affiliate prior to the closing of such transaction.

14.3 Severability. If any one or more of the provisions contained in this Agreement is held invalid, illegal or unenforceable in any respect by a court or other governmental authority of competent jurisdiction, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, unless the absence of the invalidated provision(s) adversely affects the substantive rights of one or both of the Parties. The Parties shall in such an instance cooperate and use good faith efforts to replace the invalid, illegal or unenforceable provision(s) with valid, legal and enforceable provision(s) that, insofar as practical, implements the purposes of this Agreement.

14.4 Notices. All notices that are required or permitted hereunder shall be in writing and sufficient if (i) delivered personally, (ii) sent by facsimile (and promptly confirmed by personal delivery, registered or certified mail, or internationally recognized express courier (e.g., Federal Express), (iii) sent by internationally recognized express courier or (iv) sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

if to FivePrime, to: Five Prime Therapeutics, Inc.
2 Corporate Drive

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South San Francisco, CA 94080
Attention: President & CEO
Facsimile No.: 415-365-5601

and: Five Prime Therapeutics, Inc.
2 Corporate Drive
South San Francisco, CA 94080
Attention: Legal Department
Facsimile No.: 650-583-3164

With a copy to: DLA Piper US, LLP
555 Mission Street, Suite 2400
San Francisco, CA 94105-2933
Attention: Tom Duley
Facsimile: 415- 659-7325

if to BMS, to: Bristol-Myers Squibb Company
P.O. Box 4000 Route 206 and Province Line Road
Princeton, NJ 08543-4000
Attention: VP, Business Development
Facsimile: 609-252-

With a copy to: Bristol-Myers Squibb Company
P.O. Box 4000 Route 206 and Province Line Road
Princeton, NJ 08543-4000
Attention: VP & Assistant General Counsel, Licensing and Business Development
Facsimile: 609-252-

or to such other address(es) as the Party to whom notice is to be given may have furnished to the other Party in writing in accordance herewith (which notice a Party may provide by email in accordance with this Section 14.4). Any such notice shall be deemed to have been given: (a) when delivered, if personally delivered or sent by facsimile on a Business Day (or if delivered or sent on a non-Business Day, then on the next Business Day); (b) on the Business Day of scheduled delivery, if sent by internationally recognized express courier; or (c) on the fifth Business Day following the date of mailing, if sent by mail. Notwithstanding the foregoing, any notice that a Party is required or permitted to make hereunder that may, pursuant to the explicit terms of this Agreement, be transmitted via email will be deemed sufficiently delivered if transmitted via email to the other Party's Alliance Manager and Project Leader with a copy to legal@fiveprime.com. Any notice delivered via email pursuant to the preceding sentence shall be deemed to have been given when transmitted on a Business Day (or if delivered or sent on a non-Business Day, then on the next Business Day).

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14.5 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without reference to any rules of conflict of laws.

14.6 Dispute Resolution. The Parties shall negotiate in good faith and use reasonable efforts to amicably settle any dispute, controversy or claim arising from or related to this Agreement or the breach thereof that is outside the scope of authority of the JRC, and except for any Excluded Claims (each, a "Dispute"). Either Party shall have the right to refer any Dispute to the *** (or their respective designees) who shall attempt in good faith to resolve such Dispute over a period of ***.

14.6.1. If the Parties do not fully settle any Dispute within *** days of referring such matter to the executive officers pursuant to Section 14.6.1, then either Party may submit the Dispute for final resolution by binding arbitration (an "Arbitration") administered by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures and in accordance with the Expedited Procedures in those Rules then in effect (the "JAMS Rules"), except as provided in Section 14.6.4 with respect to discovery, and judgment on the Arbitration award may be entered in any court having jurisdiction thereof. The proceedings and decisions of the arbitrators in any Arbitration under this Section 14.6 shall be confidential except as otherwise expressly permitted in this Agreement or required by applicable Law.

14.6.2. Each Arbitration shall be conducted by a panel of three arbitrators, each with substantial experience in the pharmaceutical or biotechnology business selected pursuant to the JAMS Rules. Within *** days after initiation of an Arbitration, each Party shall select one person to act as an arbitrator and the two Party-selected arbitrators shall select a third arbitrator within *** days of their appointment. If a Party fails to timely select an arbitrator, or if the arbitrators selected by the Parties fail to timely agree upon the third arbitrator, then such arbitrator(s) shall be appointed by JAMS. The place of arbitration shall be San Francisco, California, and all proceedings and communications shall be in English.

14.6.3. Each Party shall comply with all applicable Laws related to the preservation of evidence as if such dispute were brought in the United States District Court for the Northern District of California. Notwithstanding the JAMS Rules, each Party shall be entitled to discovery to the same extent provided by the United States Federal Rules of Civil Procedure in effect at the time of such Arbitration, including the right to mandatory disclosures under Rule 26, and the right to take depositions, issue subpoenas (by application to the appropriate court), and obtain documents and written discovery. The arbitrators may sanction a Party that fails to comply with its discovery obligations under this Section 14.6.4, including sanctions provided under Federal Rule of Civil Procedure 37.

14.6.4. The Parties shall maintain the confidential nature of the Arbitration or except as may be necessary in connection with a court application for a preliminary remedy, a judicial challenge to an award or its enforcement, or unless otherwise required by applicable Law or judicial decision.

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14.6.5. Either Party may apply to the arbitrators for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either Party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any injunctive or provisional relief necessary to protect the rights or property of that Party pending the arbitration award. The arbitrators shall have no authority to award punitive, exemplary or any other type of damages excluded under Section 13.4, and the Parties hereby irrevocably waive any right to seek or recover any such damages. Each Party shall bear an equal share of the arbitrators' fees and any administrative fees of each Arbitration. The arbitrators' decision shall be final, not appealable, and legally binding, and judgment may be entered thereon in a court of competent jurisdiction.

14.6.6. Except to the extent necessary to confirm an award or as may be required by applicable Law, neither a Party nor an arbitrator may disclose the existence, content, or results of an Arbitration without the prior written consent of both Parties. In no event shall an Arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by applicable California or federal statute of limitations.

14.6.7. All the obligations of the Parties under this Agreement that are not expressly disputed in the Arbitration shall remain in full force during the Arbitration.

14.6.8. As used in this Section, the term "Excluded Claim" means a dispute, controversy or claim between the Parties to the extent it concerns (i) the scope, validity, enforceability, inventorship or infringement of Patents; or (ii) compliance by the Parties with any Laws governing antitrust, anti-monopoly or competition law or regulation, whether or not statutory.

14.7 Entire Agreement; Amendments. This Agreement, together with the Exhibits hereto, constitutes the entire understanding of the Parties with respect to the subject matter hereof and supersedes and cancels all previous express or implied agreements (including the certain Mutual Confidential Disclosure Agreement between the Parties effective as of May 23, 2013, as amended (the "Pre-Existing NDA"), and understandings, negotiations, writings and commitments, either oral or written, in respect to the subject matter hereof. For clarity, all information for which either Party had non-disclosure and non-use obligations pursuant to the Pre-Existing NDA shall be considered Confidential Information under this Agreement and such obligated Party shall be considered the Receiving Party under this Agreement with respect to such Confidential Information, and any inventions (if any) made by the Parties in the course of evaluating or discussing the collaboration hereunder prior to the Effective Date (including in the course of generating the Research Plan) shall be deemed inventions arising from the conduct of the Research Plan. The Exhibits to this Agreement are incorporated herein by reference and are part of this Agreement. This Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by authorized representatives of both Parties.

14.8 Headings. The captions to the several Sections and subsections hereof are not a part of this Agreement, but are merely for convenience to assist in locating and reading the several Sections and subsections hereof.

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14.9 Independent Contractors. It is expressly agreed that FivePrime and BMS shall be independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture or agency, and neither Party will treat the relationship between the Parties as a partnership, joint venture or other entity for any purposes. Neither FivePrime nor BMS shall have the authority to make any statements, representations or commitments of any kind on behalf of, or otherwise bind or obligate the other Party, without the prior written consent of such other Party.

14.10 Performance by Affiliates. Each Party may discharge any obligations and exercise any right hereunder through any of its Affiliates. Each Party hereby guarantees the performance by its Affiliates of such Party's obligations under this Agreement, and shall cause its Affiliates to comply with the provisions of this Agreement in connection with such performance. Any breach by a Party's Affiliate of any of such Party's obligations under this Agreement shall be deemed a breach by such Party, and the other Party may proceed directly against such Party without any obligation to first proceed against such Party's Affiliate.

14.11 Further Actions. Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as are reasonably necessary to carry out the purposes and intent of this Agreement.

14.12 Severability. If any court of competent jurisdiction shall hold any one or more of the provisions of this Agreement invalid or unenforceable, which holding neither Party appeals or may not be appealed, the provision shall be considered severed from this Agreement and shall not serve to invalidate any remaining provisions hereof. The Parties shall make a good faith effort to replace any invalid or unenforceable provision with a valid and enforceable one such that the objectives contemplated by the Parties when entering this Agreement may be realized.

14.13 Waiver. No waiver or release of any obligation under or provision of this Agreement shall be valid or effective unless in writing and signed by the waiving Party. The failure of any Party to insist on the performance of any obligation hereunder shall not be deemed to be a waiver of such obligation. Waiver of any provision hereunder or of any breach of any provision hereof shall not be deemed to be a continuing waiver or a waiver of any other breach of such provision (or any other provision) on such occasion or any succeeding occasion.

14.14 Cumulative Remedies. Unless as specified, no remedy referred to in this Agreement is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to in this Agreement or otherwise available under law.

14.15 Rule of Construction. Each Party has had the opportunity to consult with counsel in connection with the review, drafting and negotiation of this Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement shall be construed against the drafting Party shall not apply.

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14.16 Certain Conventions. Any reference in this Agreement to a Section, subsection, paragraph, clause or Exhibit shall be deemed to be a reference to a Section, subsection, paragraph, clause or Exhibit, of or to, as the case may be, this Agreement, unless otherwise indicated. Unless the context of this Agreement otherwise requires, (i) words of any gender include each other gender, (ii) words such as "herein", "hereof", and "hereunder" refer to this Agreement as a whole and not merely to the particular provision in which such words appear, (iii) words using the singular shall include the plural, and vice versa, (iv) references to "day" mean calendar days, (v) the words "include," "includes" and "including" shall be deemed to be followed by the phrase "but not limited to," "without limitation," "inter alia" or words of similar import, and (vi) the word "or" shall not be deemed to be used in the exclusive sense and shall instead be used in the inclusive sense to mean "or", unless the context is clear that only one of the options described may apply.

14.17 Counterparts. The Parties may execute this Agreement in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

14.18 No Third Party Beneficiaries. The Parties agree that no provision of this Agreement shall be for the benefit of, or shall be enforceable by any Third Party, including any creditor of either Party.

[Remainder of page intentionally blank; signature page follows.]

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IN WITNESS WHEREOF, the Parties have executed this Research Collaboration and License Agreement as of the Effective Date.

Bristol-Myers Squibb Company		**Five Prime Therapeutics, Inc.**	
By:	/s/ Carl P. Decicco	By:	/s/ Lewis T. Williams
Name:	Carl P. Decicco	Name:	Lewis T. Williams
Title:	SVP, Head of Discovery	Title:	President and Chief Executive Officer

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Exhibit A

Stock Purchase Agreement

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Exhibit B

Press Release

Five Prime Therapeutics and Bristol-Myers Squibb Sign Collaboration Agreement to Discover Novel Immuno-Oncology Therapies for Two Immune Checkpoint Pathways

(SOUTH SAN FRANCISCO, Calif., and NEW YORK – March 17, 2014) - Five Prime Therapeutics, Inc. (Nasdaq: FPRX) and Bristol-Myers Squibb Company (NYSE: BMY) announced today that they have signed a collaboration agreement for the discovery, development and commercialization of immuno-oncology therapies directed toward targets identified in two undisclosed immune checkpoint pathways using Five Prime's proprietary target discovery platform.

Bristol-Myers Squibb will leverage Five Prime's platform to advance its existing immuno-oncology programs by identifying the most viable drug targets for continued research and development. Drug candidates developed against these new and existing targets may be studied either as single agents or in combination with existing or potential Bristol-Myers Squibb immuno-oncology therapies.

"Immuno-oncology has the potential to be transformational in the treatment of cancer, and Bristol-Myers Squibb has an extensive clinical pipeline and discovery programs dedicated to maximizing this field of research," said Francis Cuss, MB BChir, FRCP, Executive Vice President and Chief Scientific Officer, Bristol-Myers Squibb. "Five Prime's innovative technology platforms complement our immuno-oncology pipeline and will help expand our understanding of promising new therapeutic options for patients."

"We are thrilled to enter this important collaboration with Bristol-Myers Squibb, an undisputed leader in the exciting field of immuno-oncology," said Lewis T. "Rusty" Williams, M.D., Ph.D., President and Chief Executive Officer of Five Prime. "This strategic alliance is evidence that our protein discovery platform is ideally suited to identify novel immune checkpoint targets for the development of next generation immuno-oncology therapeutics."

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Under the terms of the agreement, Bristol-Myers Squibb will obtain exclusive, worldwide rights to develop and commercialize products directed toward certain protein targets identified by Five Prime prior to and during the collaboration. Bristol-Myers Squibb will make an upfront payment of $20 million to Five Prime and provide up to $9.5 million in research funding over the course of the research term. Additionally, Bristol-Myers Squibb will make a payment of approximately $21 million to acquire 4.9% of Five Prime's outstanding common stock purchased at approximately a 30% premium. Five Prime will be eligible to receive up to $300 million in future development, regulatory and sales based milestone payments per collaboration target and tiered mid-single-digit rising to low double-digit royalty payments on net sales of each product commercialized by Bristol-Myers Squibb.

About Bristol-Myers Squibb

Bristol-Myers Squibb is a global biopharmaceutical company whose mission is to discover, develop and deliver innovative medicines that help patients prevail over serious diseases. For more information, please visit www.bms.com or follow us on Twitter at http://twitter.com/bmsnews.

About Five Prime Therapeutics

Five Prime Therapeutics, Inc. is a clinical-stage biotechnology company focused on discovering and developing novel protein therapeutics for cancer and inflammatory diseases. Five Prime has leveraged its comprehensive library of human extracellular proteins and its proprietary high-throughput screening technologies to produce new targets for protein therapeutics to be advanced by partners or in the company's internal pipeline. Five Prime currently has 2 therapeutics in clinical testing and a third anticipated to enter the clinic by the end of 2014. FP-1039 (GSK3052230) is a fibroblast growth factor (FGF) ligand trap being developed in collaboration with GlaxoSmithKline to treat multiple solid tumors. A global, multi-arm Phase

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1b study of FP-1039 in combination with standard chemotherapy in FGFR1 gene-amplified squamous non-small cell lung cancer (NSCLC) and mesothelioma is underway. A second drug candidate is FPA008, a monoclonal antibody that inhibits colony stimulating factor-1 receptor (CSF1R) activation and is being developed to treat rheumatoid arthritis, is in a Phase 1 trial currently enrolling. FPA144 is a monoclonal antibody that blocks signaling through fibroblast growth factor receptor 2b (FGFR2b) and is glyco-engineered for enhanced antibody-dependent cytotoxicity. FPA144 is expected to begin a Phase 1 study in gastric cancer by the end of 2014.

For more information please see: www.fiveprime.com

Five Prime Forward-Looking Statement

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "may," "will," "expect," "plan," "anticipate," "estimate," "intend" and similar expressions (as well as other words or expressions referencing future events, conditions or circumstances) are intended to identify forward-looking statements. These forward-looking statements are based on Five Prime's expectations and assumptions as of the date of this press release. Each of these forward-looking statements involves risks and uncertainties. Actual results may differ materially from these forward-looking statements. Forward-looking statements contained in this press release include statements regarding the (i) advancement of immuno-oncology programs; (ii) development and commercialization of products; and (iii) Five Prime's receipt of milestone payments and royalty payments. Factors that may cause actual results to differ from those expressed or implied in the forward-looking statements in this press release are discussed in Five Prime's filings with the U.S. Securities and Exchange Commission, including the "Risk Factors" section of the Prospectus Five Prime filed on February 7, 2014 with the U.S. Securities and Exchange Commission. Except as required by law, Five Prime assumes no obligation to update any forward-looking statements contained herein to reflect any change in expectations, even as new information becomes available.

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Bristol-Myers Squibb Forward-Looking Statement

This press release contains "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995 regarding the research, development and commercialization of pharmaceutical products. Such forward-looking statements are based on current expectations and involve inherent risks and uncertainties, including factors that could delay, divert or change any of them, and could cause actual outcomes and results to differ materially from current expectations. No forward-looking statement can be guaranteed. Among other risks, there can be no guarantee that this collaboration will lead to the discovery of new drug candidates, that clinical trials from this collaboration will support regulatory filings, or that any new drug candidates will receive regulatory approvals or, if approved, that they will become commercially successful products. Forward-looking statements in this press release should be evaluated together with the many uncertainties that affect Bristol-Myers Squibb's business, particularly those identified in the cautionary factors discussion in Bristol-Myers Squibb's Annual Report on Form 10-K for the year ended December 31, 2013, in our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K. Bristol-Myers Squibb undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

TO BE INSERTED BY BMS

Contacts
Bristol-Myers Squibb
Media:
Laura Hortas, 609-252-4587, laura.hortas@bms.com;
Ken Dominski, 609-252-5251, ken.dominski@bms.com
Investors:
John Elicker, 609-252-4611, john.elicker@bms.com;
Ranya Dajani, 609-252-5330, Ranya.dajani@bms.com
Ryan Asay, 609-252-5020, ryan.asay@bms.com

Five Prime Therapeutics
Amy Kendall, 415-365-5776, amy.kendall@fiveprime.com

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Schedule 1.35
Collaboration Target Patents

Country	Application No.	Title	Filing Date	Status
US	***	***	***	***
US	***	***	***	***
US	***	***	***	***
US	***	***	***	***
US	***	***	***	***

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Exhibit 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Lewis T. Williams, hereby certify that:

1. I have reviewed this quarterly report on Form 10-Q of Five Prime Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 12, 2014

/s/ Lewis T. Williams
Lewis T. Williams
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Marc L. Belsky, hereby certify that:

1. I have reviewed this quarterly report on Form 10-Q of Five Prime Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 12, 2014

/s/ Marc L. Belsky
Marc L. Belsky
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Five Prime Therapeutics, Inc. ("Five Prime") for the quarter ended March 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lewis T. Williams, President and Chief Executive Officer of Five Prime, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Five Prime.

Dated: May 12, 2014

/s/ Lewis T. Williams
Lewis T. Williams
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Five Prime Therapeutics, Inc. ("Five Prime") for the quarter ended March 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marc L. Belsky, Senior Vice President and Chief Financial Officer of Five Prime, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Five Prime.

Dated: May 12, 2014

/s/ Marc L. Belsky
Marc L. Belsky
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)