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 September 30, 2015

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 October 30, 2015, the number of outstanding shares of the registrant's common stock was 27,503,839.

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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 expectations that our FPA008 collaboration agreement with Bristol-Myers Squibb Company will become effective upon expiration of the notice and waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976;
- our receipt of future milestone payments and/or royalties, and the timing of such payments;
- our or our partners' ability to timely advance drug candidates into and through clinical data readouts and successful completion of clinical trials alone or in combination with other drugs;
- 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 and 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)

	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 36,956	$ 15,267
Marketable securities	146,458	133,787
Receivable from collaborative partners	1,666	410
Prepaid and other current assets	5,454	1,794
Total current assets	190,534	151,258
Property and equipment, net	4,030	3,794
Other long-term assets	409	579
Total assets	$ 194,973	$ 155,631
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 1,565	$ 1,096
Accrued personnel-related expenses	4,280	4,618
Other accrued liabilities	4,033	1,531
Deferred revenue, current portion	12,119	11,938
Deferred rent, current portion	743	632
Total current liabilities	22,740	19,815
Deferred revenue, long-term portion	45,173	48,628
Deferred rent, long-term portion	1,057	1,514
Other long-term liabilities	368	469
Commitments		
Stockholders' equity:		
Common stock	26	22
Preferred stock	—	—
Additional paid-in capital	361,051	274,180
Accumulated other comprehensive income	37	1
Accumulated deficit	(235,479)	(188,998)
Total stockholders' equity	125,635	85,205
Total liabilities and stockholders' equity	$ 194,973	$ 155,631

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

FIVE PRIME THERAPEUTICS, INC.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Collaboration and license revenue	$ 5,858	$ 6,059	$ 16,460	$ 14,586
Operating expenses:				
Research and development	24,720	9,803	49,241	30,602
General and administrative	5,213	3,360	14,029	9,664
Total operating expenses	29,933	13,163	63,270	40,266
Loss from operations	(24,075)	(7,104)	(46,810)	(25,680)
Interest income	107	57	332	148
Other expense, net	(3)	(41)	(3)	(66)
Net loss	$ (23,971)	$ (7,088)	$ (46,481)	$ (25,598)
Basic and diluted net loss per common share	$ (0.93)	$ (0.33)	$ (1.82)	$ (1.24)
Shares used to compute basic and diluted net loss per common share	25,825	21,521	25,532	20,619

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net loss	$ (23,971)	$ (7,088)	$ (46,481)	$ (25,598)
Other comprehensive income:				
Net unrealized (loss) gain on marketable securities	(35)	19	36	60
Comprehensive loss	$ (24,006)	$ (7,069)	$ (46,445)	$ (25,538)

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

FIVE PRIME THERAPEUTICS, INC.

Condensed Statement of Cash Flows
(In thousands)

	Nine Months Ended September 30,	
	2015	**2014**
Operating activities		
Net loss	$ (46,481)	$ (25,598)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,275	1,154
Loss on disposal of property	3	41
Stock-based compensation expense	5,056	2,230
Amortization of premium on marketable securities	1,491	1,075
Changes in operating assets and liabilities:		
Receivable from collaborative partners	(1,256)	205
Prepaid, other current assets, and other long-term assets	(3,490)	(539)
Accounts payable	469	324
Accrued personnel-related expenses	(338)	149
Deferred revenue	(3,274)	17,560
Deferred rent	(346)	(412)
Other accrued liabilities and other long-term liabilities	2,401	373
Net cash used in operating activities	(44,490)	(3,438)
Investing activities		
Purchases of marketable securities	(135,376)	(121,016)
Maturities of marketable securities	121,250	70,705
Purchases of property and equipment	(1,514)	(1,430)
Net cash used in investing activities	(15,640)	(51,741)
Financing activities		
Proceeds from public offering of common stock, net	78,693	40,099
Proceeds from the sale of common stock to collaborative partner	—	18,629
Proceeds from issuance of common stock under equity incentive plans	3,126	1,418
Net cash provided by financing activities	81,819	60,146
Net increase in cash and cash equivalents	21,689	4,967
Cash and cash equivalents at beginning of period	15,267	8,161
Cash and cash equivalents at end of period	$ 36,956	$ 13,128

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

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 September 30, 2015 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. We derived the Condensed Balance Sheet as of December 31, 2014 from the audited financial statements, but did 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, 2014 filed with the U.S. Securities and Exchange Commission.

Follow-on Public Offering

In January 2015, we closed an underwritten public offering of 3,829,994 shares of our common stock, which included shares we issued pursuant to our underwriters' exercise of their over-allotment option. We received net proceeds of $78.7 million, after underwriting discounts, structuring fees and offering expenses.

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.

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 and were derived from observable market data, or, if not directly observable, were derived from or corroborated by other observable market data.

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. We do not have any Level 3 securities as of September 30, 2015.

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

	September 30, 2015			
		Basis of Fair Value Measurements		
	Total	Level 1	Level 2	Level 3
Assets				
Money market funds	$ 31,653	$ 31,653	$ —	$ —
U.S. Treasury securities	146,458	146,458	—	—
Total cash equivalents and marketable securities	$ 178,111	$ 178,111	$ —	$ —

	December 31, 2014			
		Basis of Fair Value Measurements		
	Total	Level 1	Level 2	Level 3
Assets				
Money market funds	$ 9,996	$ 9,996	$ —	$ —
U.S. Treasury securities	130,786	130,786	—	—
U.S. government agency securities	3,001	—	3,001	—
Total cash equivalents and marketable securities	$ 143,783	$ 140,782	$ 3,001	$ —

Net Loss Per Share of Common Stock

We compute basic net loss per common share by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period.

We excluded the following options to purchase shares of common stock and restricted stock awards, or RSAs, (in thousands) from the calculation of diluted net loss per share for all periods presented as the effect would have been antidilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Options and RSAs to purchase common stock	3,499	2,404	2,926	2,253
	3,499	2,404	2,926	2,253

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers: Topic 606* (ASU 2014-09), to supersede nearly all existing revenue recognition guidance under GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is effective for us in our first quarter of fiscal 2018 using either of two methods: (i) retrospective application of ASU 2014-09 to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (ii) retrospective application of ASU 2014-09 with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined per ASU 2014-09. We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our financial statements.

3. **Cash Equivalents and Marketable Securities**

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

	September 30, 2015			
	Amortized Cost Basis	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Money market funds	$ 31,653	$ —	$ —	$ 31,653
U.S. Treasury securities	146,421	38	(1)	146,458
	178,074	38	(1)	178,111
Less: cash equivalents	(31,653)	—	—	(31,653)
Total marketable securities	$ 146,421	$ 38	$ (1)	$ 146,458

	December 31, 2014			
	Amortized Cost Basis	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Money market funds	$ 9,996	$ —	$ —	$ 9,996
U.S. Treasury securities	130,785	18	(17)	130,786
U.S. government agency securities	3,001	—	—	3,001
	143,782	18	(17)	143,783
Less: cash equivalents	(9,996)	—	—	(9,996)
Total marketable securities	$ 133,786	$ 18	$ (17)	$ 133,787

As of September 30, 2015, 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	$ 146,421	$ 146,458
Total marketable securities	$ 146,421	$ 146,458

We determined that the gross unrealized losses on our marketable securities as of September 30, 2015 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 September 30, 2015. There were no sales of available-for-sale securities in any of the periods presented.

4. **Equity Incentive Plans**

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

	Options Outstanding		
	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Term
Balance at December 31, 2014	2,684,812	$ 7.85	
Options granted	877,988	$ 19.97	
Options exercised	(348,999)	$ 6.61	
Options forfeited	(114,231)	$ 8.73	
Options expired	(10,465)	$ 8.03	
Balance at September 30, 2015	3,089,105	$ 11.40	
Options exercisable	1,496,574	$ 7.14	5.73

We have granted RSAs to certain of our employees. RSAs are share awards that entitle the holder to receive freely tradable shares of our common stock upon vesting and are unforfeitable once fully vested. We based the fair value of RSAs on the closing sales price of our common stock on the grant date.

The following table summarizes RSA activity under our equity incentive plans and related information:

	RSAs Outstanding	
	Number of Shares	Weighted-Average Grant-Date Fair Value
Unvested balance at January 1, 2015	24,000	$ 12.18
RSAs granted	1,461,230	$ 18.58
RSAs vested	(2,000)	$ 13.47
RSAs forfeited	(8,760)	$ 20.06
Unvested balance at September 30, 2015	1,474,470	$ 18.47

As of September 30, 2015, there were 2,020,024 shares of common stock available for future issuance under our 2013 Omnibus Incentive Plan.

Stock-Based Compensation

We calculate 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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Research and development	$ 1,537	$ 383	$ 2,642	$ 1,112
General and administrative	1,316	471	2,414	1,118
Total	$ 2,853	$ 854	$ 5,056	$ 2,230

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Expected term (years)	6.0-6.1	5.4-6.7	5.5-6.1	5.3-6.7
Expected volatility	71%	85%	71-73%	85%
Risk-free interest rate	1.5-1.9%	1.7-2.0%	1.4-1.9%	1.6-2.0%
Expected dividend yield	0%	0%	0%	0%

As of September 30, 2015, we had $13.7 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 3.2 years. Additionally, we had $23.7 million of total unrecognized compensation expense related to employee and director RSAs that we expect to recognize over a weighted-average period of 1.4 years.

5. **Acquired Technology**

INBRX 110 LP

In July 2015, we entered into a research collaboration and license agreement with INBRX 110 LP, or Inhibrx, to obtain (a) an exclusive, worldwide license to antibodies to glucocorticoid-induced tumor necrosis factor receptor, or GITR, for therapeutic and diagnostic uses, which we refer to respectively as licensed therapeutic products and licensed diagnostic products, and (b) an exclusive option, or the option, to obtain exclusive, worldwide licenses to multi-specific antibodies developed by Inhibrx that bind to both GITR and other targets, each of which we refer to as a multi-specific product. We can exercise an option with respect to a multi-specific product within a limited period of time after (i) certain activities related to initiating clinical manufacturing of such multi-specific product or (ii) if not earlier exercised, the dosing of the first patient in a Phase 2 clinical trial of such multi-specific product.

Pursuant to the agreement, we paid Inhibrx an upfront fee of $10.0 million for the license and for services to be provided by Inhibrx related to a research cell bank. Additionally, with respect to each licensed therapeutic product, we will be obligated to pay up to $62.5 million in specified development milestone payments and (i) if such licensed therapeutic product does not receive a Breakthrough Therapy Designation from the U.S. Food and Drug Administration, or FDA, up to $280.0 million in specified regulatory and commercial milestone payments, or (ii) if such licensed therapeutic product receives a Breakthrough Therapy Designation from the FDA, up to $380.0 million in specified regulatory and commercial milestone payments. Inhibrx is also eligible for low double-digit tiered royalties on future product sales. We may pay all or a portion of milestone payments for development and regulatory events in shares of our common stock, subject to certain limitations and conditions. We would be obligated to register for resale under the Securities Act of 1933, as amended, or the Securities Act, any such shares of our common stock.

We expense payments for the acquisition and development of technology as research and development cost if, at the time of payment, the technology is under development, is not approved by the FDA or other regulatory agencies for marketing, has not reached technical feasibility, or otherwise has no foreseeable alternative future use. In accordance with this policy, we expensed the $8.0 million that we determined to be related to the license upon our entry into the agreement in July 2015 as research and development expense.

In accordance with the ASC 730, *Research and Development Costs*, we concluded that we should defer and capitalize the $2.0 million that we determined to be related to the prepayment for the research cell bank services over the performance period, which is expected to be through the end of the first quarter of 2016. As of September 30, 2015, we have recognized $0.4 million of expense related to the research cell bank services.

6. **Employee Benefit Plans**

We sponsor a 401(k) plan under which eligible employees may elect to contribute to the 401(k) plan, subject to certain limitations, up to the lesser of the statutory maximum or 100% of eligible compensation on a pre-tax basis. We pay the administrative costs for the plan.

Effective January 1, 2015, we elected to match employee contributions to the 401(k) plan, or the Company Match, as permitted by the plan. We plan to make matching contributions on June 15 and December 15 each year in an amount equal to 50% of the amount contributed by the employee up to an annual maximum Company Match per employee equal to the lesser of (i) 4% of such employee's compensation, or (ii) $6,000. We deliver the Company Match through the issuance of shares of our common stock. We delivered 13,720 shares of our common stock as the Company Match on June 15, 2015 and recorded 401(k) plan Company Match expense of $94,000 and $430,000 for the three and nine months ended September 30, 2015.

7. **Subsequent Event**

On October 14, 2015, we entered into a license and collaboration agreement, or the FPA008 collaboration agreement, with Bristol-Myers Squibb Company, or BMS, pursuant to which we agreed to grant BMS exclusive global rights to develop and commercialize certain colony stimulating factor-1 receptor (CSF1R) antibodies, including our monoclonal CSF1R inhibiting antibody that we refer to as FPA008, and all modifications, derivatives, fragments, or variants of such antibodies, each of which we refer to as a Licensed Antibody. Under the terms of the FPA008 collaboration agreement, BMS will be responsible, at its expense, for developing products containing Licensed Antibodies, each of which we refer to as a Licensed Product, under a development plan, subject to our option, at our own expense, to conduct certain future studies, including registration-enabling studies to support approval of FPA008 in pigmented villonodular synovitis, or PVNS, and in combination with our proprietary internal or in-licensed compounds, including in oncology. BMS will be responsible for manufacturing and commercializing each Licensed Product and we will retain rights to a U.S. co-promotion option.

We will continue to conduct the current Phase 1a/1b clinical trial to evaluate the safety, tolerability and preliminary efficacy of combining *Opdivo*® (nivolumab), BMS's programmed-death 1 (PD-1) immune checkpoint inhibitor, with FPA008 in six tumor types, which we are currently conducting under the clinical trial collaboration agreement, effective November 21, 2014, between us and BMS. BMS will bear all costs and expenses relating to this trial, including manufacturing costs for the supply of FPA008, except that we will be responsible for our own internal costs, including internal personnel costs.

Pursuant to the FPA008 collaboration agreement, BMS will make an upfront payment of $350 million to us within 30 days after the effective date. Additionally, we will be eligible to receive up to $1.05 billion in development and regulatory milestone payments per anti-CSF1R product for oncology indications and up to $340 million in development and regulatory milestone payments per anti-CSF1R product for non-oncology indications, as well as royalties ranging from the high teens to the low twenties, such royalties to be enhanced in the U.S. in the event that we exercise our co-promotion option.

The FPA008 collaboration agreement is subject to review under the Hart-Scott-Rodino Antitrust Improvements Act, or the HSR, and we expect it to become effective upon the expiration or early termination of the notice and waiting period.

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, 2014, included in our Annual Report on Form 10-K, as filed with the U.S. Securities and Exchange Commission (SEC) on March 18, 2015.

Overview

We are a clinical-stage biotechnology company focused on discovering and developing novel protein therapeutics to improve the lives of patients with serious diseases. We currently have three product candidates in clinical development covering multiple potential indications. Each of our product candidates has an innovative mechanism of action and addresses patient populations for which better therapies are still needed. In addition, we are pursuing companion diagnostics, where appropriate, for each of our clinical programs to allow us to select patients most likely to benefit from treatment and therefore accelerate clinical development and improve patient care. Our most advanced product candidates are identified below.

- **FPA008** is an antibody that inhibits colony stimulating factor-1, or CSF1, receptor, or CSF1R, that we are studying in clinical trials as a monotherapy in rheumatoid arthritis and pigmented villonodular synovitis, or PVNS, and in multiple cancers in combination with Bristol-Myers Squibb Company's PD-1 immune checkpoint inhibitor, *Opdivo*® (nivolumab). In October 2015, we entered into a license and collaboration agreement, or the FPA008 collaboration agreement, with Bristol-Myers Squibb Company, or BMS, pursuant to which we agreed to grant BMS an exclusive worldwide license for the development and commercialization of FPA008. The FPA008 collaboration agreement is subject to review under the Hart-Scott-Rodino Antitrust Improvements Act, or the HSR, and we expect it to become effective upon the expiration or early termination of the notice and waiting period.

- **FPA144** is an antibody that inhibits fibroblast growth factor receptor 2b, or FGFR2b, that we are developing to treat patients with gastric (stomach) cancer.

- **FP-1039/GSK3052230** is a fusion protein that "traps" and neutralizes cancer-promoting fibroblast growth factors, or FGFs, involved in cancer cell survival and proliferation and new blood vessel formation that our partner, GlaxoSmithKline, or GSK, is developing to treat patients with squamous non-small cell lung cancer, or NSCLC, and malignant pleural mesothelioma.

We have a differentiated target discovery platform and library that we believe encompasses substantially all of the body's medically important targets for protein therapeutics. This positions us to explore pathways in cancer and inflammation and their intersection in immuno-oncology, an area of oncology with significant therapeutic potential and the primary focus of our research activities. We are applying all aspects of our biologics discovery platform, including cell-based screening, *in vivo* screening, receptor-ligand matching technologies and bioinformatics, in our immuno-oncology research program. We have identified novel targets that we believe could be useful in immuno-oncology and are actively validating these and looking for additional targets. We have begun, and will continue, to generate therapeutic proteins, including antibodies or ligand traps, directed to the targets we identify and advance selected candidates into pre-clinical development and eventually into clinical development, with a goal of adding at least one new molecule per year to our clinical pipeline beginning in 2017.

We have no products approved for commercial sale and have not generated any revenue from product sales to date. 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, primarily due to the $50.0 million upfront payment we received from GSK from our license and collaboration agreement for FP-1039. For the nine months ended September 30, 2015 and 2014, we reported a net loss of $46.5 million and $25.6 million, respectively. As of September 30, 2015, we had an accumulated deficit of $235.5 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.

Third Quarter 2015 and Other Recent Highlights

License and Collaboration Agreement

In October 2015, we entered into the FPA008 collaboration agreement with BMS, pursuant to which we agreed to grant BMS an exclusive, worldwide license to develop and commercialize certain CSF1R antibodies, including FPA008, and all modifications, derivatives, fragments or variants of such antibodies, each of which we refer to as a Licensed Antibody. Under the terms of the FPA008 collaboration agreement, BMS will be responsible, at its expense, for developing products containing Licensed Antibodies, each of which we refer to as a Licensed Product, under a development plan, subject to our option, at our own expense, to conduct certain future studies, including registration-enabling studies to support approval of FPA008 in PVNS and in combination with our proprietary internal or in-licensed compounds, including in oncology. BMS will be responsible for manufacturing and commercialization of each Licensed Product and we will retain rights to a U.S. co-promotion option.

We will continue to conduct our current Phase 1a/1b clinical trial to evaluate the safety, tolerability and preliminary efficacy of combining *Opdivo*® with FPA008 in eight tumor settings, which we are currently conducting under the clinical trial collaboration agreement that we entered into with BMS on November 21, 2014, or the existing clinical agreement. BMS will bear all costs and expenses relating to this trial, including manufacturing costs for the supply of FPA008, except that we will be responsible for our own internal costs, including internal personnel costs.

The FPA008 collaboration agreement is subject to review under the HSR, and we expect it will become effective upon the expiration or early termination of the notice and waiting period. The existing clinical agreement will terminate upon the effective date of the FPA008 collaboration agreement.

GSK Collaboration

In September 2015, GSK exercised its option under our respiratory diseases research collaboration to reserve specific targets that we identified using our proprietary target discovery platform, triggering a $300,000 payment.

UCB Collaboration

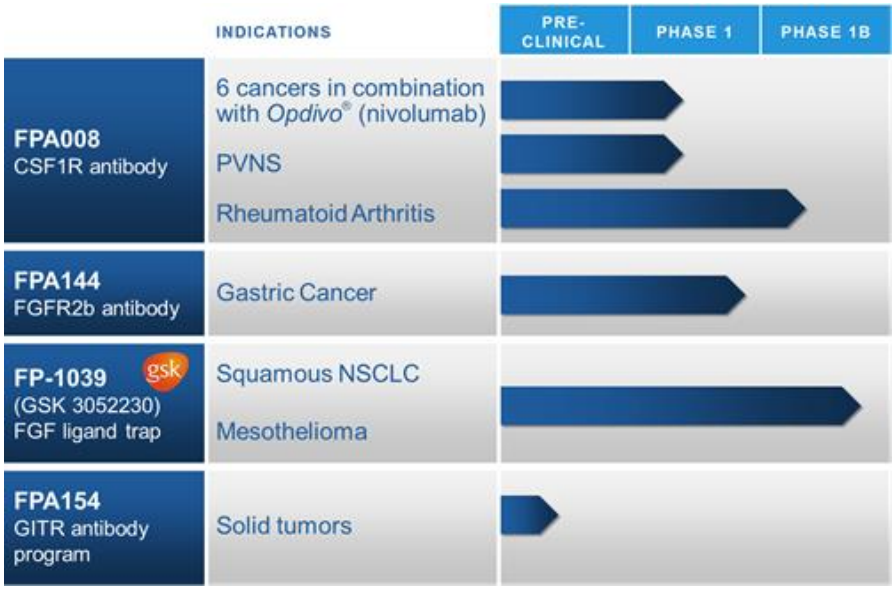
In September 2015, UCB Pharma S.A., or UCB, exercised its option under our discovery collaboration to reserve certain targets in the area of fibrosis-related inflammatory diseases that we identified using our proprietary target discovery platform, triggering $140,000 in payments.

Acquired Technology

In July 2015, we entered into a research collaboration and license agreement with INBRX 110 LP, or Inhibrx, pursuant to which we obtained an exclusive, worldwide license to Inhibrx's glucocorticoid-induced tumor necrosis factor receptor, or GITR, antibodies, which we refer to now as our FPA154 program. Our FPA154 antibody program is currently at lead selection stage.

Clinical Pipeline

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



FPA008

FPA008 in Immuno-Oncology

We are conducting a Phase 1a/1b clinical trial with BMS to evaluate the safety, tolerability and preliminary efficacy of combining *Opdivo*® (nivolumab) with FPA008 as a potential treatment for patients with non-small cell lung cancer, or NSCLC, melanoma, head and neck cancer, pancreatic cancer, colorectal cancer and malignant glioma. We expect to enroll approximately 30 patients with advanced cancers in the Phase 1a portion of the trial. In the Phase 1b portion, we will evaluate the safety, tolerability and preliminary efficacy of the selected dose of FPA008 in combination with *Opdivo*® in approximately 240 patients across eight tumor settings consisting of:

- second- or third-line non-small cell lung cancer (NSCLC, anti PD-1 therapy naïve);
- anti PD-1 therapy resistant NSCLC (either *de novo* or acquired resistance);
- previously untreated melanoma (anti-PD1 therapy naïve);
- anti PD-1 therapy resistant melanoma (*de novo*);
- second-line squamous cell carcinoma of the head and neck;
- second-line pancreatic cancer;
- third-line colorectal cancer; and
- second-line glioblastoma multiforme (GBM).

We expect to complete the Phase 1a dose escalation portion of this trial and begin the Phase 1b portion with the selected dose of FPA008 in early 2016.

FPA008 in Pigmented Villonodular Synovitis (PVNS)

We are conducting a Phase 1/2 clinical trial of FPA008 in patients with PVNS. During the Phase 1 dose escalation part of the trial, we will assess the safety, pharmacodynamics and imaging of the joints to determine the dose for expansion. During the Phase 2 expansion, we will evaluate tumor response rate and duration, and measures of pain and joint function. We expect to complete the Phase 1 dose escalation part of this trial and move into the Phase 2 dose expansion in early 2016.

FPA008 in Rheumatoid Arthritis (RA)

We are in the process of completing dosing in an open-label safety and dose escalation component of a Phase 1 clinical trial of FPA008 in patients with active RA. We plan to present preliminary data from this RA component of the Phase 1 clinical trial at the American College of Rheumatology's annual meeting on November 10, 2015. We do not plan to proceed with a randomized cohort following the completion of the Phase 1 trial and are not planning additional trials of FPA008 in patients with RA.

FPA144

We are conducting a Phase 1a/1b clinical trial of FPA144 in solid tumor and gastric cancer patients. By the end of 2015, we expect to complete the dose escalation portion of the trial and begin expansion in selected gastric cancer patients with FGFR2b protein overexpression or *FGFR2* gene amplification in their tumors as identified by molecular diagnostic assays. We anticipate reporting preliminary data from the dose escalation portion of the trial in early 2016.

FP-1039

GSK is conducting a three-arm Phase 1b clinical trial of FP-1039 combined with standard doses of chemotherapy in patients with first-line or previously treated squamous non-small cell lung cancer, or SqNSCLC, and first-line malignant pleural mesothelioma, or MPM. The two arms of the trial treating patients with newly-diagnosed SqNSCLC (Arm A) and MPM (Arm C) have each advanced into the expansion phase. Dose escalation is ongoing for the arm of the trial treating patients with previously treated SqNSCLC (Arm B).

In September 2015, GSK presented preliminary safety and efficacy data from this trial at the World Conference on Lung Cancer.

As of August 5, 2015, the data cutoff date for the World Conference on Lung Cancer presentation, 176 patients with first-line or previously-treated SqNSCLC were tested centrally for *FGFR1* gene amplification, with a positive amplification rate of approximately 20%. Forty-four patients had been dosed with FP-1039 at dose levels ranging from 5mg/kg to 20mg/kg in combination with chemotherapy across the three study arms. In Arm A, a maximum tolerated dose was not identified, therefore a maximum feasible dose (MFD) was determined and GSK expanded that arm at the 20 mg/kg dose level. In Arm C, the maximally tolerated dose was established and GSK expanded that arm at the 15 mg/kg dose level. No dose limiting toxicities (DLTs) have been observed in SqNSCLC patients (Arms A and B). Three DLTs were reported in MPM patients (Arm C) at the 20mg/kg dose level consisting of: grade 5 bowel perforation/ischemia, grade 3 elevated creatinine level and grade 3 infusion reaction. The most common adverse events across all three arms were neutropenia, anemia, constipation, diarrhea, nausea, vomiting, decreased appetite, pyrexia, fatigue, asthenia and alopecia. Infusion reactions were seen in 17%, 14%, and 37% of patients treated in Arms A, B and C, respectively. Toxicities typically associated with small-molecule FGFR kinase inhibitors, namely hyperphosphatemia and retinal, nail, and skin changes, were not observed.

Preliminary efficacy data as measured by RECIST (Arms A and B) and mRECIST (Arm C) criteria are reported in the following table:

Best Tumor Response	**Arm A (First-line SqNSCLC): paclitaxel + carboplatin + FP-1039 (n=18)**	**Arm B (Previously treated SqNSCLC): docetaxel + FP-1039 (n=7)**	**Arm C (First-line MPM): pemetrexed +cisplatin + FP-1039 (n=19)**
Partial response	10*	0	3
Stable disease	3	4	5
Progressive disease	2	1	1
Not evaluable	3	2	10
Objective response rate	55%	0%	16%
Disease control rate	72%	57%	42%

*Includes 2 unconfirmed partial responses.

Preclinical Pipeline

We are applying all aspects of our biologics discovery platform to discover and validate targets that we believe could be useful in immuno-oncology and to generate therapeutic proteins, including antibodies and ligand traps, directed to these targets. We have several ongoing antibody discovery campaigns and expect to initiate additional antibody and ligand trap campaigns as we continue to validate additional targets. We plan to advance select candidates into pre-clinical development and eventually clinical development.

Using our biologics discovery platform, we identified GITR as one of the most effective tumor suppressors among hundreds of targets that regulate immune response to tumors. GITR is selectively expressed on effector and regulatory T cells and agonist antibodies to GITR have induced tumor regressions in preclinical models, particularly in combination therapy. We identified Inhibrx as having unique multivalent antibody scaffolds designed to multimerize and activate GITR receptors to a high degree without any Fc receptor binding, which we believe will achieve greater agonist activity with a higher therapeutic index and less variability among patients than GITR antibodies currently under development. In July 2015, we entered into a research collaboration and license agreement with Inhibrx under which we obtained an exclusive, worldwide license to Inhibrx's GITR antibodies, which we refer to now as our FPA154 program. Our FPA154 antibody program is currently at lead selection stage.

We plan to add at least one new molecule per year to our clinical pipeline beginning in 2017.

Financial Overview

Collaboration and License Revenue

We have not generated any revenue from product sales. We have derived our revenue to date from upfront payments, research and development funding and milestone payments under collaboration and license agreements with our collaboration partners and licensees. We currently have a respiratory diseases research collaboration and an FP-1039 license agreement with GSK, a fibrosis and CNS research collaboration with UCB, an immuno-oncology research collaboration and an FPA008 clinical collaboration with BMS, and a license agreement with bluebird bio. In 2014, we also were performing obligations under a muscle diseases research collaboration with GSK under which we received funding and recognized revenue.

Summary Revenue by Collaboration and License Agreements

The following is a comparison of collaboration and license revenue for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	**2014**	**2015**	**2014**
R&D Funding				
Respiratory Diseases Collaboration	$ 1.0	$ 0.9	$ 3.1	$ 2.6
Muscle Diseases Collaboration	—	—	—	0.8
FP-1039 Product Collaboration	—	0.1	—	0.1
Fibrosis and CNS Collaboration	0.2	—	0.6	0.1
Immuno-oncology Research Collaboration	0.6	0.9	2.0	1.7
Immuno-oncology Clinical Collaboration	1.0	—	1.2	—
Other		—	—	0.1
Ratable Revenue Recognition				
Respiratory Diseases Collaboration	0.7	0.7	2.0	2.0
Muscle Diseases Collaboration	—	—	—	0.9
Fibrosis and CNS Collaboration	0.8	0.8	2.3	2.2
Immuno-oncology Research Collaboration	1.2	1.1	3.4	2.4
Milestone and Contingent Payments				
Muscle Diseases Collaboration	—	1.6	—	1.7
Respiratory Diseases Collaboration	0.3		0.3	
Fibrosis and CNS Collaboration	0.1	—	0.1	—
Other License Revenue				
bluebird bio License Agreement	—	—	1.5	—
Total	$ 5.9	$ 6.1	$ 16.5	$ 14.6

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 and licenses or any new collaborations and licenses 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 and products.

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 program. We assign costs for such activities to a distinct non-program related project code. We allocate research and development 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 and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	**2014**	**2015**	**2014**
Development programs:				
FPA008	$ 5.5	$ 2.3	$ 12.9	$ 6.1
FPA144	2.0	1.9	4.4	8.6
FP-1039	0.1	—	0.2	0.3
Subtotal development programs	7.6	4.2	17.5	15.0
Preclinical programs	10.0	—	11.3	0.3
Discovery collaborations	3.9	3.7	11.5	9.7
Early research and discovery	3.2	1.9	8.9	5.6
Total research and development expenses	$ 24.7	$ 9.8	$ 49.2	$ 30.6

We expect that most of the research and development expenses we incur that relate to our internal programs will continue to relate to activities to support our FPA008 and FPA144 clinical programs and our immuno-oncology research, discovery and preclinical efforts. We expect our research and development expenses to increase as we advance our development programs further and advance additional drug candidates into preclinical and clinical development, in particular as we increase the number and size of our clinical trials, as we expand our internal immuno-oncology discovery and research efforts, and due to increased stock-based compensation. We expect that our FPA008 development-related expenses will increase at a faster rate than our other internal program research and development expenses through 2016 as we advance FPA008 in the Phase 1/2 clinical trial in PVNS, or the PVNS trial, and in particular, as we advance FPA008 into the Phase 1b portion of our Phase 1a/1b clinical trial in combination with *Opdivo*® in multiple cancers, or the immuno-oncology combination trial, which could enroll up to 240 patients. Under the FPA008 collaboration agreement we entered into with BMS, we will continue to run and incur costs and expenses related to the PVNS trial and the immuno-oncology combination trial. BMS will reimburse us for the costs and expenses we incur in conducting the immuno-oncology combination trial, including manufacturing, clinical research organization and clinical site related costs and expenses, except that we will be responsible for our own internal costs, including internal personnel costs. We expect the FPA008 collaboration agreement to become effective upon the expiration or early termination of the HSR notice and waiting period.

We have in the past in-licensed technology and product rights, including from Galaxy Biotech with respect to our FPA144 program and from Inhibrx with respect to our FPA154 program. Under these license agreements we have agreed to pay the licensor upfront fees, milestone payments and royalties on sales of licensed products. We may in the future enter into additional in-licensing agreements for technology or product rights that may obligate us to pay additional upfront fees, milestone payments and royalties on product sales. Also, we expect that our addition of in-licensed products to our research and development pipeline generally would increase our research and development expenses because we expect we would assume the responsibility for future research, manufacturing and drug development costs.

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.

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 assessments 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 our general and administrative expenses to increase as we expand our operations to support our increased research and development activities and due to increased stock-based compensation. 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.

Critical Accounting Policies and Estimates

We based our management's discussion and analysis of financial condition and results of operations upon our unaudited condensed financial statements, which we 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. We evaluate our critical accounting policies and estimates on an on-going basis. 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 18, 2015. There have been no significant or material changes in our critical accounting policies during the nine months ended September 30, 2015 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 September 30, 2015 and 2014

	Three Months Ended September 30,	
(in millions)	**2015**	**2014**
Collaboration and license revenue	$ 5.9	$ 6.1
Operating expenses:		
Research and development	24.7	9.8
General and administrative	5.2	3.4
Total operating expenses	29.9	13.2
Interest income and other expense, net	—	—
Net loss	$ (24.0)	$ (7.1)

Collaboration and License Revenue

Collaboration and license revenue decreased by $0.2 million, or 3.3%, to $5.9 million for the three months ended September 30, 2015 from $6.1 million for the three months ended September 30, 2014. This decrease was primarily due to a $1.5 million payment received during the three months ended September 30, 2014 in connection with GSK exercising an option to take a commercial license to an undisclosed muscle disease target by GSK under our muscle diseases collaboration, the research term of which ended in 2014, offset by a $1.0 million increase in revenue recognized from our immuno-oncology clinical collaboration with BMS entered into in November 2014, a $0.3 million option exercise fee recognized as revenue under our respiratory disease collaboration with GSK, and a $0.1 million option exercise fee recognized as revenue under our fibrosis and CNS collaboration with UCB.

Research and Development

Our research and development expenses increased by $14.9 million, or 152.0%, to $24.7 million for the three months ended September 30, 2015 from $9.8 million for the three months ended September 30, 2014. This increase was primarily due to an increase of $10.0 million related to advancing our preclinical programs, which includes $8.0 million related to a license to Inhibrix's GITR antibodies and $0.4 million related to research cell bank services for our FPA154 antibody program, a $3.2 million increase related to advancing our FPA008 program in PVNS and immuno-oncology, and a $1.3 million increase in early research and discovery related to expanding our immuno-oncology efforts and undertaking antibody campaigns.

General and Administrative

Our general and administrative expenses increased by $1.8 million, or 52.9%, to $5.2 million for the three months ended September 30, 2015 from $3.4 million for the three months ended September 30, 2014, primarily due to a $1.6 million increase in cash and stock-based compensation costs and a $0.3 million increase in recruiting costs related to the expansion of our operations.

Comparison for the Nine Months Ended September 30, 2015 and 2014

	Nine Months Ended September 30,	
(in millions)	**2015**	**2014**
Collaboration and license revenue	$ 16.5	$ 14.6
Operating expenses:		
Research and development	49.3	30.6
General and administrative	14.0	9.7
Total operating expenses	63.3	40.3
Interest income and other expense, net	0.3	0.1
Net loss	$ (46.5)	$ (25.6)

Collaboration and License Revenue

Collaboration and license revenue increased by $1.9 million, or 13.0%, to $16.5 million for the nine months ended September 30, 2015 from $14.6 million for the nine months ended September 30, 2014. This increase was primarily due to $1.5 million in revenue recognized under our license agreement with bluebird bio that we entered into in May 2015, a $1.3 million increase in research related revenue from our immuno-oncology research collaboration agreement with BMS entered into in March 2014, a $1.2 million increase in research related revenue from our immuno-oncology clinical collaboration with BMS entered into in November 2014, a $0.8 million increase in revenue recognized under our respiratory disease collaboration with GSK, and a $0.7 million increase in revenue recognized under our fibrosis and CNS collaboration with UCB, which was offset by a $3.4 million decrease in revenue from our muscle diseases collaboration with GSK, the research term of which ended in 2014.

Research and Development

Our research and development expenses increased by $18.7 million, or 61.1%, to $49.3 million for the nine months ended September 30, 2015 from $30.6 million for the nine months ended September 30, 2014. This increase was primarily due to an increase of $11.0 million related to advancing our preclinical programs, which includes $8.0 million related to a license to Inhibrix's GITR antibodies and $0.4 million related to research cell bank services for our FPA154 antibody program, a $6.8 million increase related to advancing our FPA008 program primarily in PVNS and immuno-oncology, $3.3 million increase in early research and discovery related to expanding our immuno-oncology efforts and undertaking antibody campaigns, and a $1.8 million increase in our discovery collaboration costs due to our entry into the immuno-oncology research collaboration, which was offset by a decrease of $4.2 million related to our FPA144 program, primarily due to preclinical and manufacturing costs incurred in 2014 to prepare for the Phase 1 clinical trial and a milestone payment we made to Galaxy Biotech in connection with the initiation of our Phase 1 clinical trial.

General and Administrative

Our general and administrative expenses increased by $4.3 million, or 44.3%, to $14.0 million for the nine months ended September 30, 2015 from $9.7 million for the nine months ended September 30, 2014, primarily due to a $2.7 million increase in cash and stock-based compensation costs, a $1.1 million increase in facility costs, and a $0.7 million increase in recruiting costs related to expansion of our operations.

Liquidity and Capital Resources

On January 12, 2015, we completed our 2015 underwritten public offering, which resulted in the sale of 3,829,994 shares of our common stock, at a price of $22.00 per share, including the partial exercise of the underwriters' option to purchase additional shares of common stock. We received net proceeds of $78.7 million, after underwriting discounts, structuring fees and offering expenses paid by us.

As of September 30, 2015, we had $37.0 million in cash and cash equivalents and $146.5 million of marketable securities invested in a U.S. Treasury money market fund and U.S. Treasury securities with maturities of 12 months or less.

We expect to receive the $350 million upfront payment from BMS under the FPA008 collaboration agreement upon the expiration or early termination of the HSR notice and waiting period.

In addition, 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 and license 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' and licensees' research and development activities and is uncertain at this time. Our rights to payment under our collaboration and license 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 clinical trial, 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 September 30, 2015 will be sufficient to fund our operating expenses and capital expenditure requirements for at least the next twelve months, 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 nine months ended September 30, 2015 and 2014:

(in millions)	Nine Months Ended September 30, 2015	2014
Net cash used in operating activities	$ (44.5)	$ (3.4)
Net cash used in investing activities	(15.6)	(51.7)
Net cash provided by financing activities	81.8	60.1

Net Cash Provided by (Used in) Operating Activities

Net cash used in operating activities was $44.5 million during the nine months ended September 30, 2015. The net loss of $46.5 million was offset by non-cash charges of $1.3 million for depreciation and amortization, $5.1 million for stock-based compensation expense, and $1.5 million for amortization of premium on marketable securities. The net change in operating assets and liabilities was $5.8 million.

Net cash used in operating activities was $3.4 million during the nine months ended September 30, 2014. The net loss of $25.6 million was offset by non-cash charges of $1.2 million for depreciation and amortization, $2.2 million for stock-based compensation expense and $1.1 million for amortization of premium on marketable securities. The net change in operating assets and liabilities was $17.7 million, including $17.6 million of deferred revenue primarily related to the $20.0 million upfront payment received in April 2014 with respect to our immuno-oncology research collaboration with BMS.

Net Cash Used in Investing Activities

Net cash used in investing activities was $15.6 million during the nine months ended September 30, 2015. Net cash used in investing activities for the periods presented primarily relates to the purchases and maturities of marketable securities. Purchases of property and equipment were $1.5 million and $1.4 million during the nine months ended September 30, 2015 and 2014, respectively. 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 $81.8 million during the nine months ended September 30, 2015, primarily related to the net proceeds of $78.7 million from our 2015 underwritten public offering. Additionally, we received $3.1 million from employee stock option exercises for the nine months ended September 30, 2015.

Net cash provided by financing activities was $60.1 million during the nine months ended September 30, 2014 primarily related to our January 2014 underwritten 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 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 $1.4 million from employee stock option exercises for the nine months ended September 30, 2014.

Contractual Obligations and Contingent Liabilities

During the nine months ended September 30, 2015, 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. Our Annual Report does not describe any potential future milestone or royalty payments we may be required to make to third parties as part of certain collaboration and in-licensing agreements, including the research collaboration and license agreement we entered into with Inhibrx in July 2015, under which Inhibrx granted us an exclusive worldwide license to Inhibrx's GITR antibodies. Under the Inhibrx agreement, with respect to each licensed therapeutic product, we will be obligated to pay up to $62.5 million in specified development milestone payments and (i) if such licensed therapeutic product does not receive a Breakthrough Therapy Designation from the U.S. Food and Drug Administration, or FDA, up to $280.0 million in specified regulatory and commercial milestone payments, or (ii) if such licensed therapeutic product receives a Breakthrough Therapy Designation from the FDA, up to $380.0 million in specified regulatory and commercial milestone payments. Inhibrx is also eligible for low double-digit tiered royalties on future product sales. We may pay all or a portion of milestone payments for development and regulatory events in shares of our common stock, subject to certain limitations and conditions. We would be obligated to register for resale under the Securities Act of 1933, as amended, or the Securities Act, any such shares of our common stock.

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 September 30, 2015, we had cash and cash equivalents and marketable securities of $183.4 million, consisting of bank deposits, interest-bearing money market accounts and U.S. Treasury 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 we therefore 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, our 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 our 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 are 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

Although we may from time to time report profitable results due to upfront payments we receive from our partners under license or collaboration agreements, we have incurred significant losses since our inception and anticipate that we will generally continue to incur net losses for the foreseeable 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 December 31, 2011, due primarily to the $50.0 million upfront payment we received from GSK from our license and collaboration agreement for FP-1039. For the nine months ended September 30, 2015, we reported a net loss of $46.5 million. As of September 30, 2015, we had an accumulated deficit of $235.5 million.

Although we may from time to time report profitable results, such as during the fiscal year ended December 31, 2011, we generally expect to continue to incur significant expenses and increasing operating losses for the foreseeable future. The net losses we incur may fluctuate significantly from quarter to quarter. We expect our operating expenses 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 consistently 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.

If our proposed collaboration with Bristol-Myers Squibb Company, or BMS, does not become effective in a timely manner, or at all, our business, results of operations and future cash balances could be adversely affected.

On October 14, 2015, we entered into a license and collaboration agreement with BMS, or the FPA008 collaboration agreement, pursuant to which we agreed to grant BMS exclusive global rights to develop and commercialize certain colony stimulating factor-1 receptor (CSF1R) antibodies, including our FPA008 antibody, and all modifications, derivatives, fragments or variants of such antibodies. We are required to file a notice under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or the HSR, with respect to the FPA008 collaboration agreement because it contains exclusive license grants and we are required to delay the effectiveness of the FPA008 collaboration agreement until expiration or earlier termination of the notice and waiting period under the HSR. If expiration or termination of the notice and waiting period under the HSR is delayed because of lengthy government review, or if the Federal Trade Commission or Department of Justice successfully challenges the FPA008 collaboration agreement, the effectiveness of the FPA008 collaboration agreement could be delayed or precluded. Additionally, if the proposed FPA008 collaboration agreement does not become effective, we will not receive the $350 million upfront payment or any future milestone payments or royalties, which could have a material adverse effect on our business, results of operations and future cash balances and may require us to raise additional capital.

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 additional product candidates into clinical trials and as we increase the number and size of our clinical trials. We believe that our existing cash and cash equivalents and marketable securities as of September 30, 2015 will be sufficient to fund our projected operating expenses and capital expenditure requirements for at least the next twelve months. 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 expect we will have sufficient taxable income during 2015 to utilize substantially all of our federal and state net operating loss, or NOL, carryforwards. However, our ability to utilize any unused NOL carryforwards may be limited going forward by a Section 382 ownership change we sustained during 2015.

Section 382 of the Internal Revenue Code may impair or limit our ability to utilize our NOL carryforwards if we undergo a cumulative ownership change of more than 50%, as interpreted by the U.S. Internal Revenue Service, over a three-year period. Our state NOL carryforwards may be similarly limited. We determined that we incurred a cumulative ownership change of more than 50%, as interpreted by the U.S. Internal Revenue Service, in August 2015, and as a result Section 382 may impair or limit our ability to use accumulated NOL carryforwards existing as of August 2015 to offset future taxable income.

Pursuant to regulations under Section 382, we will ratably allocate any 2015 taxable income between the pre-382 ownership change period and the post-382 ownership change period in 2015. The portion of 2015 taxable income allocated to the period from January to August 2015 (i.e. the pre-382 ownership change period) will not be subject to the limitations under Section 382 that were triggered in August 2015. We are currently evaluating the extent to which we will recognize taxable income in 2015, including as a result of revenue we expect to receive under the FPA008 collaboration agreement. We currently expect to recognize enough taxable income during 2015 that the amount allocated to the pre-382 ownership change period will exceed the NOL carryforwards that would otherwise be impaired by the August 2015 ownership change and we therefore expect to utilize all of these NOL carryforwards to partially offset that income. To the extent we do not recognize enough taxable income in 2015, these NOL carryforwards will not be fully utilized in 2015 and will be subject to limitations under Section 382, which could adversely affect our business, results of operations, financial condition and cash flow. A minority of our NOL carryforwards existing as of the August 2015 ownership change were already impaired and subject to limitations and we will not be able to utilize all of these previously impaired NOL carryforwards in 2015.

Risks Related to Our Business and Industry

Three of our product candidates are in clinical development. We may not advance additional product candidates into clinical development or identify or validate additional drug targets. If we do not advance additional product candidates into clinical development 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 three product candidates, FPA008, FPA144 and FP-1039, in clinical 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 from our clinical trials and preclinical studies for our 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.

Delays in clinical testing will delay the commercialization our product candidates, potentially increase our costs and harm our business.

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 us, 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 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 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.

For example, we are conducting a Phase 1/2 clinical trial of FPA008 in patients with PVNS, which is a rare, locally aggressive CSF1-driven tumor of synovium for which there are no currently approved therapies. Very little data regarding the incidence and prevalence of PVNS exists and the data that has been published suggest that the incidence of PVNS may be as low as 1.8 per 1,000,000. We expect that the limited size of the PVNS patient population will limit patient enrollment rates. Also, we know that Plexxikon Inc. has begun a Phase 3 clinical trial of its PLX3397 candidate in PVNS and Roche has clinically tested its RG7155 antibody in PVNS patients. If Plexxikon or Roche continue the clinical development of their products in PVNS, we would potentially compete with them for the enrollment in this rare patient population, which may adversely impact the rate of patient enrollment in and the timely completion of our Phase 1/2 clinical trial of FPA008 in PVNS. Also, although we believe selecting patients using companion diagnostics should increase the probability of success in our clinical trials of FPA144 and FP-1039 in gastric cancer and squamous non-small cell lung cancer, respectively, this will limit the number of patients eligible for enrollment.

There is significant competition for recruiting patients in the clinical trials we and our partners are conducting and plan to conduct, and we or our partners may be unable to timely enroll the patients necessary 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 those described below:

- 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.
- 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, or because we must 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.

GSK is responsible for the manufacturing of FP-1039 for GSK's use in clinical trials. Under our license and collaboration agreement with GSK, we have the right to require GSK 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 and labeling and distribution of FPA008 drug product for our clinical trials. Following the anticipated effectiveness of and the FPA008 collaboration agreement, we plan to transition the manufacturing process for FPA008 to BMS, including assigning our existing manufacturing agreements to BMS, if possible.

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 to support approval, including additional preclinical or clinical data, 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 or otherwise limit the commercial potential of any such product. 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 such 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 other court actions to 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 another entity or individual 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, *Opdivo*® (nivolumab), *Keytruda*® (pembrolizumab), *CyramzaTM* (ramicirumab) 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, Incyte Corporation's INCB54828, Debiopharm's Debio1347, Bayer's BAY 1163877 and Janssen Pharmaceuticals, Inc.'s JNJ-42756493. Additionally, we could face competition from other agents that are being developed to treat patients with squamous non-small cell lung cancer. 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 cancer or PVNS, it could face competition from products currently in development, including Roche's emactuzumab (RO5509554, RG7155) anti-CSF1R antibody, Lilly's IMC-CS4/LY3022855 antibody, or Daiichi Sankyo Co., Ltd./Plexxikon Inc.'s PLX3397 and PLX7486 small molecule tyrosine kinase inhibitors, with respect to immuno-oncology, and Daiichi Sankyo Co., Ltd./Plexxikon Inc.'s PLX3397 small molecule tyrosine kinase inhibitor or Novartis AG's MCS110 CSF1 monoclonal antibody, with respect to PVNS, each of 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, oxaliplatin, carboplatin, paclitaxel and docetaxel or *Cyramza™* (ramucirumab), and from products currently in early development, including AstraZeneca plc's AZD-4547, a pan-FGFR small molecule, and Bayer's BAY1187982 an FGFR2 non-isoform specific antibody-drug conjugate (ADC).

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, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, and its implementing regulations, 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 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.

We are experiencing significant growth in our operations as we expand the scope of our clinical activities, including our conduct of a Phase 1/2 clinical trial of FPA008 in PVNS, our initiation in September 2015 of a Phase 1a/1b clinical trial of FPA008 in combination with *Opdivo*® in six cancers, and our immuno-oncology research activities. Our success will depend in part on our ability to manage our growth, including increases to our headcount, effectively. To succeed, we must continue to 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 or 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 a disruption of gas flow from Russia to countries in which we are conducting our clinical trial could interrupt our clinical trial and harm our business.

Risks Related to Our Dependence on Third Parties

We currently depend significantly on GSK for the development and commercialization of FP-1039. 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.

In April 2014, GSK announced that it entered into an agreement for a three-part transaction with Novartis AG, or Novartis, pursuant to which GSK would, among other things, divest to Novartis its commercial oncology portfolio, related research and development activities and rights to its AKT inhibitor as well as grant Novartis certain commercialization rights for future oncology products. In connection with this transaction, GSK plans to refocus its oncology efforts to development in immuno-oncology and epigenetics. Because FP-1039 is not within GSK's areas of focus for oncology, GSK may not dedicate as many resources on the development of FP-1039 as if FP-1039 was within GSK's areas of focus or may otherwise prioritize its other oncology efforts over the development of FP-1039.

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.

A part of our strategy is to enter into additional product development collaborations, 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 efforts 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, which would adversely affect our business plans.

We currently have ongoing discovery collaborations with GSK, UCB and BMS. As of September 30, 2015, we were eligible to receive up to an additional $4.5 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, UCB or BMS terminate any of our discovery collaborations, we may not receive all or any of this $4.5 million, which would adversely affect our business or financial condition.

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. 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. Other licenses may not give us such rights.

The patent prosecution process is expensive and time-consuming. 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 rights, 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, an exclusive license with INBRX 110 LP to antibodies to glucocorticoid-induced tumor necrosis factor receptor, which we intend to clinically develop for therapeutic and diagnostic uses pursuant to our FPA154 program, 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 such 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 such third parties, including in oppositions, interferences, reexaminations, *inter parties* 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. Although 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 IPO 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 $35.23 through November 4, 2015. 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 or our partners' growth rates relative to our competitors;
- announcements by us, our partners 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;
- failure of our partners' to effectively execute or changes in our partners' strategies with respect to our products or collaborations;
- 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 may be able to exert significant control over matters subject to stockholder approval.

As of September 30, 2015, our executive officers, directors, holders of 5% or more of our capital stock and their respective affiliates beneficially owned approximately 41% of our common stock. This 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 stockholder vote to approve compensation of certain executive officers) and the "say on golden parachute" provisions (requiring a non-binding stockholder 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) January 1, 2019; (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.

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. 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

None.

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, offering expenses and commissions paid by us. 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). As of September 30, 2015, we have used all of the net offering proceeds received in our IPO.

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: November 5, 2015

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

Date: November 5, 2015

/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 by and between the Company and INBRX 110 LP, dated as of July 13, 2015.
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 September 30, 2015, formatted in XBRL (extensible Business Reporting Language): (i) the Condensed Balance Sheets; (ii) the Condensed Statements of Operations; (iii) the Condensed Statements of Comprehensive Loss; (iv) the Condensed Statements of Cash Flows; and (v) Notes to Condensed Financial Statements.

* Furnished herewith and not deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

† Confidential treatment has been requested for certain portions of this exhibit. These portions have been omitted and filed separately with the SEC.

***** 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.**

CONFIDENTIAL Execution Copy

Research Collaboration and License Agreement

This Research Collaboration and License Agreement (this "Agreement"), effective as of July 13, 2015 (the "Effective Date"), is entered into by and between Five Prime Therapeutics, Inc., a Delaware corporation ("FivePrime"), and INBRX 110 LP, a Delaware limited partnership ("INBRX"). FivePrime and INBRX are each referred to individually as a "Party" and collectively as the "Parties."

Background

A. FivePrime is a biotechnology company focused on the discovery and development of innovative protein and antibody drugs.

B. INBRX is a biotechnology company that has developed certain antibodies directed to glucocorticoid-induced tumor necrosis factor receptor (GITR), and owns or controls certain tangible and intellectual property related to such antibodies; and

C. The Parties wish for FivePrime to obtain certain rights and licenses to such tangible and intellectual property to use such antibodies in order to develop, manufacture and commercialize pharmaceutical products pursuant to the terms and conditions set forth herein.

In consideration of the foregoing premises and the covenants herein contained, the receipt and sufficiency of which are hereby acknowledged, the Parties 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 "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.

1.2 "Agreement" is defined in the preamble of this Agreement.

1.3 "Alleged Infringer" is defined in Section 9.3.1.

1.4 "Arbitration" is defined in Section 13.6.1.

1.5 "Back-up Product" is defined in Section 7.2.6(b).

1.6 "Biosimilar" means, in a particular country with respect to a Licensed Therapeutic Product, any product that: (a) has received all necessary approvals by applicable Regulatory Authorities in such country to market or 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 FivePrime 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 Licensed Therapeutic Product, (ii) as a "similar biological medicinal product" (in the EU) with respect to which such Licensed Therapeutic Product is the "reference product" or (iii) if not the US or EU, as a foreign equivalent of a "biosimilar" or "similar biological medicinal product" of such Licensed Therapeutic Product; in each case for use in such country pursuant to an expedited regulatory approval process governing approval of generic biologics based on then-current standards for regulatory approval in such country (*e.g.*, the Biologics Price Competition and Innovation Act of 2009 or an equivalent under non-U.S. law) and where such regulatory approval was based in significant part upon clinical data generated by or on behalf of FivePrime or its Affiliates or sublicensee, with respect to such Licensed Therapeutic Product.

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

1.8 "Breakthrough Designation" means designation by the FDA as a breakthrough therapy pursuant to 21 U.S.C. section 356 (or its successor).

1.9 "Breakthrough Status" means, with respect to a Licensed Therapeutic Product, that such Licensed Therapeutic Product has obtained a Breakthrough Designation in the United States in any indication within the Therapeutic Field.

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

1.11 "Clinical Trial" means any of a Phase 1 Trial, Phase 2 Trial or Phase 3 Trial, or any combination thereof.

1.12 "Collaboration Know-How" of a Party means all Know-How that is first conceived or otherwise first created by or on behalf of such Party in the performance of the R&D Program during the Research Term.

1.13 "Collaboration Patents" means any and all Patents that claim an Invention first conceived by or on behalf of either Party or both Parties (i) in the performance of the R&D Program during the Research Term or (ii) based upon the results of the R&D Program.

1.14 "Combination Product" means a product that: (i) as applicable to a Licensed

Therapeutic Product, contains at least one Compound or Licensed Product and at least one additional therapeutically active product that is not a Compound or Licensed Therapeutic Product; and (ii) as applicable to a Licensed Diagnostic Product, contains at least one Compound or Licensed Diagnostic Product and at least one additional product essential for the function of the Licensed Diagnostic Product and that is not a standardized reagent (e.g., buffers) or means of sample collection (e.g., blood collection tube); in either case whether co-formulated or sold together with a Licensed Product in a single package or as a unit and at a single price.

1.15 "Commercially Reasonable Efforts" means: (i) where applied to carrying out specific obligations under the Research Plan, including an approved Additional Support Plan, the exercise of such efforts and commitment of such resources, consistent with the exercise of prudent scientific and business judgment, as such Party would apply to other research and development programs for pharmaceutical products it owns or controls; and (ii) where applied to the development or commercialization of a Licensed Therapeutic Product, the efforts and resources that a similarly situated Entity would apply to an active and continuing program of development or commercialization of a pharmaceutical product; in each case, of a market potential similar to the market potential of such Licensed Therapeutic Product, at a similar stage of its product life, taking into account the competitiveness of the marketplace, the proprietary position of such Licensed Therapeutic Product, the regulatory status involved, the pricing and launching strategy and the relative safety and efficacy of such Licensed Therapeutic Product.

1.16 "Common Stock" means the common stock of FivePrime.

1.17 "Compound" means the following: (A) each antibody, antibody-like protein or other protein therapeutic that specifically binds to and modulates glucocorticoid-induced tumor necrosis factor receptor (GITR) that is Controlled by INBRX as of the Effective Date or during the Term, and (B) any modification, derivative, fragment or variant of any such antibody antibody-like protein or other protein therapeutic that specifically binds to and modulates glucocorticoid-induced tumor necrosis factor receptor (GITR) and is Controlled by INBRX as of the Effective Date or during the Term; in each case ((A) and (B)) that is not a Multi-Specific Compound.

1.18 "Confidential Information" is defined in Section 8.1.

1.19 "Contractor" is defined in Section 3.6.

1.20 "Controlled" means with respect to any Know-How, Patent, Material, Compound, Multi-Specific Compound 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 or its Affiliates to grant to the other Party access to, ownership of, or a license

or sublicense under, such Know-How, Patent, Material, Compound, Multi-Specific Compound or other intellectual property, in each case as provided under this Agreement, without violating the terms of any agreement or other arrangement with any Third Party.

1.21 "Cumulative Net Sales" means, with respect to a Licensed Therapeutic Product, the cumulative aggregate of all Net Sales in all countries in the Territory since the First Commercial Sale of such Licensed Therapeutic Product in any country in the Territory.

1.22 "Derivative" means, in relation to a particular Multi-Specific Compound, any modification, derivative, fragment or variant of such Multi-Specific Compound that specifically binds to and modulates the same combination of antigens as such Multi-Specific Compound.

1.23 "Diagnostic Field" means the use for the identification, diagnosis, screening or monitoring of any disease, disorder or condition in humans. For clarity, the Diagnostic Field shall exclude the Therapeutic Field.

1.24 "Disclosing Party" is defined in Section 8.1.

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

1.26 "Effective Date" is defined in the preamble of this Agreement.

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

1.28 "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.

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

1.30 "Excluded Claim" is defined in Section 13.6.8.

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

1.32 "Field of Use" means the Therapeutic Field or the Diagnostic Field, as the case may be.

1.33 "First Commercial Sale" means, with respect to a particular Licensed Product in a

particular country, the first sale of such Licensed Product in such country following the receipt of a Marketing Authorization.

1.34 "FivePrime" is defined in the preamble of this Agreement.

1.35 "FivePrime Collaboration Know-How" means Collaboration Know-How that is conceived or created solely by FivePrime and its Affiliates and/or their respective employees, contractors and consultants.

1.36 "FivePrime Collaboration Patent" means a Collaboration Patent that claims an Invention that is conceived solely by FivePrime and its Affiliates and/or their respective employees, contractors and consultants.

1.37 "FivePrime Indemnitee" is defined in Section 12.1.

1.38 "FivePrime Losses" is defined in Section 12.1.

1.39 "FTE" means the equivalent of the work of one appropriately qualified individual working on a full-time basis in performing work in support of the R&D Program for a 12-month period (measured in accordance with the INBRX's standard time allocation process). For clarity, one FTE's work may be carried out by one or more employees, contractors or consultants of INBRX.

1.40 "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 include, to the extent applicable, any comparable filing(s) outside of the U.S. (such as a clinical trial application (CTA) in the European Union).

1.41 "Infringement Action" is defined in Section 9.3.2.

1.42 "INBRX" is defined in the preamble of this Agreement.

1.43 "INBRX Collaboration Know-How" means Collaboration Know-How that is conceived or created solely by INBRX and its Affiliates and/or their respective employees, contractors and consultants.

1.44 "INBRX Collaboration Patent" means a Collaboration Patent that claims an Invention that is conceived solely by INBRX and its Affiliates and/or their respective employees, contractors and consultants.

1.45 "INBRX GITR Patent" means an INBRX Patent having claimed subject matter

limited to only (i) Compounds, Licensed Products and/or Licensed Diagnostics; or (ii) methods of making or using Compounds, Licensed Products and/or Licensed Diagnostics.

1.46 "INBRX Indemnitee" is defined in Section 12.2.

1.47 "INBRX Know-How" means all Know-How that is (i) Controlled by INBRX as of the Effective Date or during the Term and (ii) necessary for FivePrime to make, have made, distribute, use, sell, offer for sale, export or import Compounds and/or Licensed Products in accordance with the Licenses granted to FivePrime under this Agreement.

1.48 "INBRX Losses" is defined in Section 12.2.

1.49 "INBRX Patents" means each Patent that is (i) Controlled by INBRX as of the Effective Date or during the Term and (ii) necessary for FivePrime to make, have made, distribute, use, sell, offer for sale, export or import Compounds and/or Licensed Products in accordance with the Licenses granted to FivePrime under this Agreement. As of the Effective Date, the INBRX Patents consist of the Patents set forth on Exhibit B.

1.50 "INBRX Platform Patents" means each INBRX Patent that is not an INBRX GITR Patent.

1.51 "Initiation" is defined in Section 7.2.3.

1.52 "Invention" means any invention, industrial design, utility model, discovery, technical idea, process, formulation, method, composition of matter, article of manufacture, discovery, or finding (whether patentable or not).

1.53 "JAMS Rules" is defined in Section 13.6.1.

1.54 "Joint Collaboration Know-How" means Collaboration Know-How that is conceived or created jointly by the Parties or their respective Affiliates or their employees, contractors or consultants (i.e., by at least one employee, contractor or consultant of INBRX or its Affiliates, and at least one employee, contractor or consultant of FivePrime or its Affiliates.).

1.55 "Joint Collaboration Patent" means a Collaboration Patent that claims an Invention that is conceived jointly by the Parties or their respective employees, contractors or consultants (i.e. by at least one employee, contractor or consultant of INBRX and at least one employee, contractor or consultant of FivePrime.)

1.56 "JRC" is defined in Section 2.2.

1.57 "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.

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

1.59 "License" is defined in Section 5.1.1.

1.60 "Licensed IP" means the INBRX Patents and INBRX Know-How, including INBRX's right, title and interest to the Joint Collaboration Know-How, the Joint Collaboration Patents, the INBRX Collaboration Know-How and the INBRX Collaboration Patents.

1.61 "Licensed Diagnostic Product" means any product in any form, presentation or formulation that contains a Compound, which product is used to identify, diagnose, screen or monitor patients with or a predisposition to a human disease or condition or to characterize a human disease or condition, including for use to: (a) identify patients having a particular disease or particular molecular genotype or phenotype having a predisposition to a particular disease; (b) define the prognosis or monitor the progress of any disease or condition in a patient; (c) select between two (2) or more therapeutic or prophylactic regimens; or (d) confirm a pharmaceutical product's biological activity or to optimize dosing or scheduling. For clarity, Licensed Diagnostic Products exclude Licensed Therapeutic Products.

1.62 "Licensed Multi-Specific Compound" is defined in Section 4.2.

1.63 "Licensed Multi-Specific Product" is defined in Section 4.2.

1.64 "Licensed Product" means a Licensed Therapeutic Product or Licensed Diagnostic Product.

1.65 "Licensed Therapeutic Product" means any therapeutic product in any form, presentation, formulation or dosage that (i) contains a Compound or (ii) is a Licensed Multi-Specific Product.

1.66 "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 Licensed Product in a particular country, including, if and as applicable, approval of an NDA or BLA for a Licensed Therapeutic Product.

1.67 "Materials" means any proprietary compounds, animals, biological materials, research tools, or other tangible materials 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.

1.68 "Multi-Specific Compound" means any antibody, antibody-like protein or other protein therapeutic Controlled by INBRX as of the Effective Date or during the Term that specifically binds to and modulates both (a) glucocorticoid-induced tumor necrosis factor receptor (GITR) and (b) another antigen.

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

1.70 "Net Sales" means the gross amount invoiced by FivePrime or its Affiliates or any of their sublicensees for sales or other commercial disposition of a Licensed Product (in final form for end use) to a Third Party purchaser in a *bona fide*, arms-length transaction, less the following deductions to the extent directly applicable to such sales and as deducted from revenue in accordance with FivePrime's accounting policies consistently applied:

(i) reasonable and customary rebates, quantity, trade and cash discounts to customers actually allowed and properly taken;

(ii) 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;

(iii) retroactive price reductions, credits or allowances actually granted upon rejections, destruction or returns of such Licensed Product, including for recalls or damaged goods;

(iv) reasonable freight, postage, shipping and insurance charges actually allowed or paid for delivery of such Licensed Product, to the extent included in the gross sales price;

(v) sales taxes, excise taxes, use taxes, import/export duties or other governmental charges actually due or incurred with respect to such sales, including value-added taxes, to the extent applicable; and

(vi) amounts actually written off as uncollectible to the extent consistent with FivePrime's, its Affiliate's or sublicensee's reasonable business practices for its other products (such amounts shall be added back to the Net Sales if and when actually collected).

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 FivePrime's audited consolidated financial statements.

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

If a Licensed Product is sold as part of a Combination Product, the Net Sales of such Licensed Product for the purpose of calculating royalties owed under this Agreement for sales of such Licensed Product, shall be determined as follows: first, FivePrime 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 (x) A is the average gross invoiced amount by FivePrime or its Affiliates or any of their sublicensees in the applicable Quarter in the applicable country of such Licensed Product sold separately, if sold separately, in the same formulation and dosage, and (y) B is (a) if there are multiple therapeutically active products (in the case of a Licensed Therapeutic Product) or other non-therapeutic products (in the case of a Licensed Diagnostic Product) in the Combination Product, the sum of the average gross invoiced amounts in the applicable Quarter in the applicable country of each other therapeutically active product (in the case of a Licensed Therapeutic Product) or other non-therapeutic product (in the case of a Licensed Diagnostic Product) in the Combination Product sold separately, if sold separately or (b), if there is a single active product (in the case of a Licensed Therapeutic Product) or other non-therapeutic product (in the case of a Licensed Diagnostic Product) in the Combination Product, the average gross invoiced amount in the applicable Quarter in the applicable country of such other therapeutically active product (in the case of a Licensed Therapeutic Product) or other non-therapeutic product (in the case of a Licensed Diagnostic Product) in the Combination Product sold separately, if sold separately, in each case, in the same formulation, dosage or unit quantity. If any therapeutically active product (in the case of a Licensed Therapeutic Product) or other non-therapeutic product (in the case of a Licensed Diagnostic Product) in the Combination Product is not sold separately in the relevant formulation, dosage or unit quantity in the relevant

Quarter, 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 invoiced amount in the applicable Quarter in the applicable country of such Licensed Product sold separately in the same formulation and dosage and C is the average gross invoiced amount in the applicable Quarter in the applicable country of such Combination Product. If neither the Licensed Product nor any other therapeutically active product (in the case of a Licensed Therapeutic Product) or other non-therapeutic product (in the case of a Licensed Diagnostic Product) in the Combination Product is sold separately in the applicable Quarter 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 Licensed Product in the Combination Product to the total fair market value of such Combination Product.

In the event that the average gross invoiced amount is not publicly available for any active therapeutic product (in the case of a Licensed Therapeutic Product) or other non-therapeutic product (in the case of a Licensed Diagnostic Product) contained in such Combination Product that is not sold or commercially distributed by FivePrime, the Parties shall use the average gross selling price for such Combination Product or such active therapeutic product or other non-therapeutic product in lieu of the average gross invoiced amount for purposes of calculating the Net Sales of the Licensed Product contained in such Combination Product. The average gross selling price for therapeutically active product(s) or other non-therapeutic product(s) contained in the Combination Product during a relevant Quarter shall be calculated by dividing the gross sales of such product(s) during such Quarter by the number units of such product(s) sold, as published by IMS or another independent source agreed upon by the Parties. If information necessary to make the above calculation is not available, the adjustment to Net Sales shall be determined by the Parties in good faith.

In the case of any sale or other disposal of any Licensed Product other than an invoiced sale in an arm's length transaction exclusively for money, Net Sales shall be calculated as above on the fair market value of the Licensed Product.

1.71 "Party" or "Parties" is defined in the preamble of this Agreement.

1.72 "Patent" means (a) 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 (b) any substitution, reissue, reexamination, renewal, confirmation, revalidation, extension and supplementary protection certificate with respect to any of the foregoing.

1.73 "Person" means any individual, unincorporated organization or association,

governmental authority or agency, Entity or other entity not specifically listed herein.

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

1.75 "Phase 2 Trial" means a human clinical trial of a Licensed Therapeutic 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).

1.76 "Phase 3 Trial" means a human clinical trial of a Licensed Therapeutic 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).

1.77 "Pre-MCB Support" is defined in Section 3.1.2.

1.78 "Product Infringement" is defined in Section 9.3.1.

1.79 "Project Leader" is defined in Section 2.1.

1.80 "Prosecution" means, with respect to a Patent, preparing, filing, prosecuting and maintaining such Patent, including any interference and opposition proceedings, reissue, post-grant reviews, *inter partes* review, re-examination and applications for patent term extensions, and all appeals or petitions to any agency, board or court related to any of the foregoing. When used as a verb, "Prosecute" means to engage in Prosecution.

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

1.82 "Receiving Party" is defined in Section 8.1.

1.83 "Regulatory Approval" means, with respect to a Licensed Product in any country or jurisdiction, the approvals by the applicable Regulatory Authority in such country or jurisdiction (other than pricing approvals) necessary for the commercialization of such Licensed Product.

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

1.85 "Research Plan" means the research plan attached to this Agreement as Exhibit A, as such plan may be amended by the Parties from time to time in accordance with Section 3.1.1.

1.86 "Research Term" means the duration of the R&D Program as defined in the Research Plan, as may be extended pursuant to Section 3.1.3.

1.87 "Restricted Antigen" means the antigens listed in Exhibit C of this Agreement.

1.88 "Royalty Term" is defined in Section 7.3.2.

1.89 "R&D Program" is defined in Section 3.1.1.

1.90 "Term" is defined in Section 11.1.

1.91 "Territory" means worldwide.

1.92 "Therapeutic Field" means the treatment, palliation or control of any disease, disorder or condition in humans.

1.93 "Third Party" means any Person other than FivePrime, INBRX and their respective Affiliates.

1.94 "Tumor Type" is defined in Section 7.2.3.

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

1.96 "Valid Claim" means, with respect to any country: (a) a claim in an issued INBRX Patent that has not: (i) expired or been canceled; (ii) been irretrievably abandoned, revoked, declared invalid or unenforceable by an unreversed and unappealable or unappealed decision of a court or other appropriate body of competent jurisdiction in such country; or (iii) been admitted by INBRX to be invalid or unenforceable through reissue, disclaimer or otherwise; or (b) a claim under any application for an INBRX Patent that has been pending in a country for *** or less from the first to occur of (i) the date that such application enters into a national phase in such country, or (ii) the date of the first direct filing of such application in such country and, in any case, which 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.

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

2. Governance.

2.1 Project Leaders. The Parties shall each appoint a project leader (each, a "Project Leader") who is responsible for coordinating the day-to-day performance of the Research Plan under the oversight of the JRC. Each Party's Project Leader shall be a member of such Party's internal project team that is responsible for the day-to-day performance of the Research Plan. The Project Leaders shall make decisions on day-to-day operational matters in accordance with the Research Plan and otherwise coordinate the conduct of activities related to the Research Plan. The Project Leaders shall serve as the main points of contact through which the Parties will routinely share operational information regarding performance of the Research Plan, all in accordance with the terms of this Agreement. The Project Leaders will communicate monthly, or otherwise as frequently as reasonably requested by either Party, by video or audio teleconference.

2.2 Joint Research Committee. The Parties shall establish a joint research committee to oversee the Research Plan activities during the Research Term (the "JRC").

2.2.1. Composition of the JRC. The JRC shall consist of at least *** representative from each Party, but not more than ***representatives of any Party. Each Party shall designate its initial JRC representative(s) within *** after the Effective Date. A Party may change one or more of its JRC representative(s) from time to time in its sole discretion, effective upon written notice (which notice a Party may provide by email in accordance with Section 13.4) to the other Party of such change. A Party's representative(s) to the JRC shall have appropriate technical credentials, experience and knowledge and ongoing familiarity with 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 will be responsible for managing the communications and meetings of the JRC.

2.2.2. JRC Meetings. The JRC shall meet at least once 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. A reasonable number of additional representatives of a Party may attend meetings of the JRC in a non-voting capacity with the prior written consent of the other Party. All representatives to the JRC shall be subject to confidentiality and nonuse restrictions substantively similar to those set forth herein. Each Party shall bear its own travel, lodging and telecommunication expenses related to participation in and attendance at such meetings by its JRC or additional representatives.

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

(a) provide oversight and coordinate the activities of the Parties under the Research Plan, including any approved Additional Support Plan;

(b) monitor the Research Plan for the R&D Program;

(c) review any proposed amendments to the Research Plan, subject to the final paragraph of this Section 2.2.3 and Section 3.1.1;

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

(e) review written updates submitted to the JRC pursuant to Section 3.4;

(f) monitor the Parties' progress under the Research Plan, including any approved Additional Support Plan; and

(g) perform such other obligations as are necessary for the conduct of the Research Plan, subject to Section 2.2.3, Section 2.3, and Section 3.1.1.

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 FivePrime to exercise the Option with respect to any Multi-Specific Compound under Section 4.2; (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) amend the Research Plan.

2.3 Decisions of the JRC. Except as set forth in this Section 2.3, the JRC shall act with mutual consent of the Parties. In the event of a disagreement regarding any matter within the JRC's authority under Section 2.2.3(c), either Party may refer such matter to the *** of the Parties (or the designees of the respective ***), who shall discuss such matter in good faith. If the *** or their designees, if applicable, are unable to resolve the matter within *** after the date of such referral, then either Party may elect to resolve such matter as a Dispute pursuant to Section 13.6.

2.4 Oversight Period of JRC. 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 exist until the expiration of the Research Term.

3. R&D Program.

3.1 Overview.

3.1.1. R&D Program. INBRX shall carry out a research and development program in accordance with the Research Plan, including any approved Additional Support Plan, to create and characterize Compounds (the "R&D Program"). The Research Plan in effect as of the Effective Date is attached hereto as Exhibit A. Any amendment or update to the Research Plan, whether proposed by the by the JRC pursuant to Section 2.2.3 or otherwise, shall require the agreement of the Parties to be effective. For clarity, the JRC is not authorized to approve any amendment to the Research Plan.

3.1.2. Goals and Responsibilities. The R&D Program, as set forth in the Research Plan, includes certain research and early preclinical development studies and work on Compounds through the delivery of the final research cell bank, including lead candidate maturation, selection and characterization, cell line development, non-GLP toxicology testing in cynomolgus monkeys and pharmacokinetic (PK) testing (collectively, the "Pre-MCB Support"), in each case as described in more detail in Exhibit A. If FivePrime wishes INBRX to perform research and preclinical development support under the Research Plan beyond the Pre-MCB Support ("Additional Support"), then the Parties will work in good faith through the JRC to agree on a written description of such Additional Support, including a detailed scope of work, timeline and budget (each such description, an "Additional Support Plan"). Each Additional Support Plan shall require the written agreement of the Parties to become effective, upon which agreement such Additional Support Plan shall become part of the Research Plan.

3.1.3. Research Term. The R&D Program shall start upon the Effective Date and be carried out until INBRX produces a final research cell bank and delivers to FivePrime the material and information described in more detail in the Research Plan (such period, the "Research Term"). INBRX shall not be obligated to continue to conduct the R&D Program beyond the expiration of the Research Term or beyond the requirements of Section 3.3 unless otherwise agreed in writing by the Parties.

3.1.4. Annual Progress Reports. Within *** after each anniversary of the Effective Date, FivePrime shall provide INBRX with a report summarizing its research, development and commercialization activities during such Year with respect to Licensed Products, which report may be presented in written form or orally in person or through a video or telephone conference between the Parties. Upon request from INBRX, FivePrime shall provide such additional information and documentation as reasonably necessary for INBRX to verify FivePrime's satisfaction of the diligence obligation set forth in Section 6.1.

3.2 INBRX Staffing and Costs. During the Research Term, INBRX shall, consistent with Section 3.3, determine and maintain appropriate INBRX staffing levels as are necessary to

timely perform its activities and obligations under the Research Plan. INBRX shall be fully responsible for its research efforts and shall ***. For Additional Support provided by INBRX, FivePrime shall pay INBRX the following amounts: (i) $*** per FTE (prorated for any partial FTE); plus (ii) the *** incurred by INBRX in obtaining any material or services that were reasonably incurred by or on behalf of INBRX for such Additional Support (such amounts, collectively, the "Additional Support Payments"); provided, that FivePrime shall have no obligation, absent its prior approval, to pay any Additional Support Payment amounts that exceed, by ***, the budget contained in the applicable Additional Support Plan for such activity. INBRX shall deliver to FivePrime a reasonably detailed invoice within *** after the end of each Quarter that includes all Additional Support Payment amounts that arose during such Quarter, together with reasonable documentation for all amounts that INBRX paid to third parties. FivePrime shall pay all undisputed Additional Support Payments within *** after the delivery of such invoice to FivePrime.

3.3 Efforts of INBRX. INBRX shall use Commercially Reasonable Efforts to conduct, in accordance with the terms of this Agreement, the work described in the Research Plan.

3.4 Reports to JRC. During the Research Term, INBRX shall, prior to or at each JRC Meeting, provide the JRC with a written update summarizing the status of activities under the Research Plan, including any approved Additional Support Plan, and results thereof.

3.5 Records; Sharing of Data.

3.5.1. Records. INBRX shall maintain complete and accurate records of all work conducted pursuant to the R&D Program and all results, data (including QC/QA review) and developments therefrom. Such records shall be in sufficient detail and in good scientific manner appropriate for accounting, patent and regulatory filing purposes (i.e., IND, annual reports, BLAs, etc.).

3.5.2. Sharing of Data and Results. INBRX shall, as reasonably requested by FivePrime, share the results of the research performed under the Research Plan and the Additional Support Plan, if applicable, with FivePrime in a timely manner. In addition, INBRX shall promptly notify FivePrime of any delays in timelines or deliverables that occur under the Research Plan, including any approved Additional Support Plan.

3.6 Third Party Contractors. INBRX may, at its own expense, engage and utilize the service of Third Party contractors (each, a "Contractor") in connection with the performance of its obligations under the Research Plan and the Additional Support Plan, if applicable; provided that (i) no such Contractor is under investigation by the FDA or any other government

agency or body for debarment and is not presently and has not in the last five years been debarred pursuant to 21 U.S.C. §335a, (ii) each such Contractor enters into an agreement with INBRX, with obligations of confidentiality and non-use substantively similar to those in this Agreement, and (iii) each such engagement and utilization is otherwise consistent with the terms of this Agreement.

3.7 Materials.

3.7.1. Ownership. The Parties acknowledge and agree that any Materials of INBRX that INBRX uses in connection with the performance of the Research Plan, together with all progeny and derivatives thereof, except as otherwise expressly provided under this Agreement, are and shall remain the property of INBRX.

3.7.2. Transfer of Know-How and Materials.

(a) INBRX shall use commercially reasonable efforts to transfer to FivePrime the key deliverables and other Materials identified in the Research Plan, in accordance with the Research Plan or on timing otherwise coordinated by the JRC. In addition, FivePrime may, from time to time, through the JRC, reasonably request that INBRX provide FivePrime with reasonable, sample quantities of other available Materials reasonably necessary for evaluating progress under the Research Plan, and INBRX shall use commercially reasonable efforts to transfer such reasonable quantities of available Materials (at FivePrime's expense) promptly following such request (or on timing otherwise coordinated by the JRC). FivePrime shall use the key deliverables and other Materials provided under this Agreement consistent with the Licenses granted to FivePrime under this Agreement. All Materials supplied by INBRX, and any progeny or derivatives thereof that are generated by or on behalf of FivePrime, are and shall remain the sole and exclusive property of INBRX, except as otherwise expressly provided under this Agreement.

(b) During the Research Term, INBRX shall, through the JRC, provide FivePrime with all INBRX Know-How, other than Materials which shall be provided as above, reasonably necessary for FivePrime to perform its obligations under this Agreement or exercise its rights under the License. Following the Research Term, INBRX shall, upon the reasonable request of FivePrime, provide FivePrime with all INBRX Know-How, other than Materials which shall be provided as above, reasonably necessary for FivePrime to perform its obligations under this Agreement or exercise its rights under the License; provided that INBRX shall not be obligated to provide FivePrime with any Materials or other tangible materials, except to the extent expressly set forth in the Research Plan or this Agreement.

3.7.3. Warranty Disclaimer Regarding Materials. INBRX hereby represents that it Controls and has the rights and authority to provide the relevant Materials that INBRX supplies to FivePrime under this Agreement. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, THE MATERIALS SUPPLIED BY INBRX PURSUANT TO THIS SECTION 3 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. FIVEPRIME WILL HANDLE AND USE THE MATERIAL ACCORDINGLY.

3.7.4. Restrictive Covenants on Materials. FivePrime shall:

(a) Use the Materials received from INBRX (i) solely for, and in compliance with, the Research Plan, and (ii) in compliance with the Licenses;

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

(c) Not use the Materials received from INBRX in human subjects.

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

3.7.5. Allocation of Liability. FivePrime assumes all liability for damages that may arise from its handling, use, storage or disposal of the Materials. INBRX shall not be liable to FivePrime for any loss, claim or demand made by FivePrime, or made against INBRX by any Third Party, due to or arising from the handling, use, storage or disposal by FivePrime of the Materials, except to the extent caused by INBRX's (i) breach of this Agreement, (ii) gross negligence or willful misconduct or (iii) failure to abide by any applicable Law or regulation.

3.7.6. Use of Materials after the Research Term. Subject to Section 11.5.1(d), for so long as FivePrime retains a License to Materials and INBRX Know-How, FivePrime shall have the right to retain INHBRX Know-How and Materials, including the final research cell bank, for use in compliance with the Licenses.

4. Multi-Specific Compounds

4.1 Restrictions on Multi-Specific Compounds. During the Term, INBRX shall not, either itself or through a Third Party, distribute, sell, or offer for sale any Multi-Specific Compound that specifically binds to and modulates any of the Restricted Antigens.

4.2 Option to License Multi-Specific Compounds. On a Multi-Specific Compound-by-Multi-Specific Compound basis, INBRX hereby grants FivePrime an exclusive option, exercisable as set forth below, to obtain a worldwide, exclusive, sublicensable license to make, have made, distribute, use, sell, offer for sale, export or import such Multi-Specific Compound and therapeutic products containing such Multi-Specific Compound and Derivatives thereof for use in the Field of Use (the "Option").

With respect to each Multi-Specific Compound, INBRX shall provide FivePrime with written notice, in accordance with Section 13.4, promptly but in no event later than *** following: (a) *** GMP production campaign for such Multi-Specific Compound (the "GMP Initiation Notice"); and (b) if FivePrime has not exercised the Option for the Multi-Specific Compound based on a GMP Initiation Notice, prior to dosing the first patient in a Phase 2 Trial of a pharmaceutical product containing such Multi-Specific Compound (the "Phase 2 Notice").

With respect to each Multi-Specific Compound, FivePrime may only exercise the Option as follows:

(a) by, within *** of receipt of a GMP Initiation Notice for such Multi-Specific Compound: (A) delivering written notice to INBRX of such exercise, and (B) paying INBRX a fee of $15,000,000; or

(b) by, within *** of receipt of a Phase 2 Notice for such Multi-Specific Compound (A) delivering written notice to INBRX of such exercise, and (B) paying INBRX a fee of $30,000,000.

Upon FivePrime's exercise of an Option in accordance with the foregoing with respect to a Multi-Specific Compound, such Multi-Specific Compound shall be considered a "Licensed Multi-Specific Compound," and each pharmaceutical product containing such Licensed Multi-Specific Compound or any Derivative thereof shall be considered a "Licensed Multi-Specific Product" and automatically be deemed a Licensed Therapeutic Product or Licensed Diagnostic Product, as applicable, for all purposes under this Agreement, including with respect to the license grants set forth in Section 5 and the payment obligations set forth in Section 7.

If FivePrime does not exercise an Option for a particular Multi-Specific Compound before the first patient is dosed in a Phase 2 Trial of a Multi-Specific Compound, provided that INBRX timely provided notice of such event pursuant to this Section 4.2, then INBRX shall retain all

rights to such Multi-Specific Compound and shall be free to further develop and commercialize such Multi-Specific Compound either alone or with or through Third Parties without any further obligation to FivePrime under this Agreement.

5. License Grants.

5.1 License Grant to FivePrime.

5.1.1. Exclusive License Grants. Subject to the terms and conditions of this Agreement, INBRX hereby grants to FivePrime an exclusive, royalty-bearing (as set forth in Section 7) license, with the right to grant sublicenses in accordance with Section 5.1.2, under the Licensed IP to:

(a) make, have made, use, export and import, but not distribute, sell or offer for sale, Compounds and Licensed Multi-Specific Compounds in the Territory for the sole purpose of developing Licensed Diagnostic Products for use in the Diagnostic Field and Licensed Therapeutic Products for use in the Therapeutic Field;

(b) make, have made, distribute, use, sell, offer for sale, export or import Licensed Therapeutics Products in the Territory for use in the Therapeutic Field; and

(c) make, have made, distribute, use, sell, offer for sale, export or import Licensed Diagnostic Products in the Territory for use in the Diagnostic Field.

(each of (a), (b) and (c) above, a "License").

The License granted in (b) and (c) above include the right to make, use, sell and offer for sale Licensed Diagnostic Products and Licensed Therapeutic Products as part of a Combination Product, but does not include the grant of any right by INBRX or its Affiliates to make, use, sell offer for sale, import or export any additional therapeutically active product or other non-therapeutic product or composition in such Combination Product that is not a Compound.

The License granted under Section 5.1.1 shall not preclude INBRX from researching, developing, making, using, importing and exporting a Multi-Specific Compound, including researching, developing, making, using, importing and exporting Compounds for such purpose, unless and until such Multi-Specific Compound is the subject of an Option timely exercised by FivePrime and becomes a Licensed Diagnostic Product and/or Licensed Therapeutic Product within the scope of the License.

5.1.2. Right to Sublicense. FivePrime may grant sublicenses (including the

right to grant further sublicenses) under the Licenses it receives under Section 5.1.1 to any of its Affiliates or any Third Party without the prior written consent of INBRX, provided that: (i) each sublicense is in writing and its terms are consistent with the terms and conditions of this Agreement; (ii) FivePrime shall be responsible to INBRX for the performance of its sublicensees; (iii) any act or omission by a sublicensee that would be a breach of this Agreement had it been performed (or not performed) by FivePrime shall be treated as a breach of this Agreement by FivePrime; and (iv) upon request, FivePrime will provide INBRX a copy of any such sublicense, at FivePrime's option reasonably redacted, to permit INBRX to assess such sublicenses compliance with the terms and conditions of this Agreement. FivePrime shall remain primarily responsible to INBRX for its obligations, including payment obligations pursuant to Section 7, under this Agreement.

5.2 Limited License Grant-Back to INBRX. Subject to the terms and conditions of this Agreement, FivePrime hereby grants INBRX a limited, royalty-free, worldwide non-exclusive research license, without the right to grant sublicenses (except to Contractors in accordance with Section 3.6), under the Licensed IP and under FivePrime's interest in any Five Prime Collaboration Know-How and Five Prime Collaboration Patents solely to perform INBRX's obligations under the Research Plan, including any approved Additional Support Plan, including the Pre-MCB Support and any Additional Support agreed upon in accordance with Section 3.1.2.

5.3 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 or under any Patents Controlled by the other Party or its Affiliates.

5.4 Negative Covenants.

5.4.1. Covenants by FivePrime. FivePrime hereby covenants that it shall not use or practice any Licensed IP for any purposes other than those purposes expressly permitted in Section 5.1 or as may otherwise expressly be permitted in this Agreement.

5.4.2. Covenants by INBRX. During the Term, INBRX shall not grant, use, assign, transfer or convey to any Third Party any rights under the Licensed IP inconsistent with the Licenses or Option granted to FivePrime.

6. Development, Commercialization and Manufacturing of Licensed Products.

6.1 Diligence. FivePrime shall use Commercially Reasonable Efforts to (i) develop and seek Regulatory Approvals for Licensed Therapeutic Products, and (ii) commercialize such approved Licensed Therapeutic Products in the Territory.

6.2 Responsibilities of FivePrime. As between the Parties, FivePrime shall, subject to the terms and conditions of this Agreement and INBRX's rights set forth in the last paragraph of Section 5.1.1 and any other rights in Licensed IP not Licensed to FivePrime hereunder, have the sole right, at its expense to clinically develop and manufacture the Compounds and Licensed Products and commercialize and manufacture Licensed Products in the Territory. Without limiting the foregoing, as between the Parties, FivePrime shall have the sole right at its cost and expense to conduct (a) all GMP manufacturing activities for clinical and commercial supply of Licensed Products, (b) all IND-enabling studies of Licensed Therapeutic Products, and (c) all clinical development and commercialization of Licensed Products.

7. Payments; Royalties and Reports.

7.1 Upfront License Fee. Within *** of the Effective Date, FivePrime shall pay INBRX a non-refundable, non-creditable payment in the amount of Ten Million Dollars ($10,000,000).

7.2 Milestone Payments for Licensed Therapeutic Products.

7.2.1. General. For each Licensed Therapeutic Product, FivePrime shall pay to INBRX, in accordance with this Section 7.2, the non-refundable, non-creditable milestone payments set forth in Section 7.2.3 and 7.2.4 upon the achievement of the corresponding milestone event by or on behalf of FivePrime, its Affiliates or any of their sublicensees. All payments shall be made within *** following the milestone event. For clarity, each milestone payment set forth in Section 7.2.3 and 7.2.4 shall be payable only once for each Licensed Product upon the first achievement of each relevant milestone with respect to such Licensed Product.

7.2.2. Form of Payment. At FivePrime's election, FivePrime may pay all or any portion of a milestone payment described in Section 7.2.3 in cash or in shares of Common Stock having at least an equivalent value based on the weighted-average closing price for the prior *** from the date of the milestone event. Such shares of Common Stock will be issued pursuant to a Stock Purchase Agreement substantially in the form of Exhibit D hereto. Any shares of Common Stock issued in consideration of the achievement of a milestone shall be registered for resale under the Securities Act of 1933, as amended (the "Securities Act"), as provided in the Stock Purchase Agreement. FivePrime shall notify INBRX, in accordance with Section 13.4, by the date that is *** after the date a relevant milestone occurs if FivePrime elects to pay any portion of such milestone payment in shares of Common Stock (the "Election Notice"); provided, that FivePrime is not permitted to pay any Commercial Milestone payment under Section 7.2.4 in shares of Common Stock without INBRX's prior written consent, which consent shall be within INBRX's sole discretion; provided further, that FivePrime is not

permitted to pay any milestone payment in shares of Common Stock if it is not eligible to register such shares under Form S-3 pursuant to Rule 415 promulgated under the Securities Act; provided further, that if INBRX provides FivePrime written notice within *** after receiving an Election Notice that INBRX has a bona fide belief that, immediately following such payment in shares of Common Stock, INBRX would own greater than ***% of the number of shares of Common Stock that would be then-outstanding one Business Day after such payment (which number of shares FivePrime shall provide INBRX with each Election Notice), FivePrime shall pay such portion of such milestone payment in cash rather than in shares of Common Stock; provided further, that if FivePrime provides INBRX with an Election Notice, INBRX shall not, prior to issue of such shares, enter into any short sale of any shares of Common Stock, as defined in Regulation SHO promulgated under the Securities Exchange Act of 1934, as amended.

7.2.3. Event Milestones and Payment Amounts. FivePrime shall, in connection with the first occurrence of each milestone event listed below with respect to each Licensed Therapeutic Product, pay INBRX the milestone payments listed below in accordance with this Section 7.2. Each such payment shall be non-refundable and non-creditable.

Event per Licensed Therapeutic Product	Milestone Payment	
DEVELOPMENT		
***		$***
***		$***
***		$***
***		$***
***		$***
***		$***
REGULATORY	**Non-Breakthrough Status**	**Breakthrough Status in U.S.**
***	***	$***
***	***	$***
***	$***	$***
***		$***
***	$***	$***
***		$***
***	$***	$***
***		$***

The term "Filing" as used in the table above means the acceptance of filing of the applicable application by the applicable Regulatory Authority.

The term "Initiation" as used in the table above with respect to a Clinical Trial means the dosing of the first patient enrolled in such Clinical Trial.

The term "Tumor Type" as used in the table above with respect to a Clinical Trial means a cancer of a particular cell type in a particular tissue (including blood) or an organ system , e.g., non-small cell lung cancer or B-cell lymphoma.

The amount payable with respect to the achievement of certain of the milestones would be determined based on whether the Licensed Therapeutic Product has achieved Breakthrough Status in the United States. No payment would be made for a milestone that is not achieved (except for skipped milestones pursuant to Section 7.2.6(a)).

7.2.4. Commercial Milestones. For each Licensed Therapeutic Product, FivePrime shall pay to INBRX the following sales-based milestone payments.

Cumulative Net Sales Amount per Licensed Therapeutic Product	Non-Breakthrough Status	Breakthrough Status
$*** Cumulative Net Sales	$***	$***
$*** Cumulative Net Sales	$***	$***
$***Cumulative Net Sales	$***	$***

For clarity, the sales-based milestone payments set forth in the table above shall be calculated separately for each Licensed Therapeutic Product upon the first achievement of each sales milestone by such Licensed Therapeutic Product.

By way of example and not limitation, if the Cumulative Net Sales for a Licensed Therapeutic Product (under a non-Breakthrough Status) reaches $*** on January 1, 2020, then FivePrime would have the obligation to pay $*** to INBRX, and if the Cumulative Net Sales for such Licensed Therapeutic Product subsequently reached $*** on January 1, 2025, then FivePrime would have the obligation to pay $*** to INBRX.

7.2.5. Notice of Event Milestone Achievement. FivePrime shall notify INBRX in writing within *** following the achievement of each milestone event set forth in Section 7.2.3 and Section 7.2.4, and FivePrime shall pay INBRX the corresponding milestone payment (i) for milestones under Section 7.2.3, within *** following the achievement of each such milestone event and (ii) for milestones under Section 7.2.4, within *** following the end of the Quarter during which such milestone is achieved.

7.2.6. Additional Milestone Event Matters.

(a) Skipped Milestone Events. If any milestone payment triggering event in Section 7.2.3 is skipped for a particular Licensed Therapeutic Product, 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 Licensed Therapeutic Product. For example,

if FivePrime conducts a Phase 1 Trial for a Licensed Therapeutic Product, and then chooses not to conduct a Phase 2 Trial and instead begins a Phase 3 Trial for such Licensed Therapeutic Product, both milestone payments associated with the Initiation of a Phase 2 Trial for the Licensed Therapeutic Product and the Initiation of a Phase 3 Trial for the Licensed Therapeutic Product would be due at the Initiation of the Phase 3 Trial.

(b) Back-up Products. If a milestone payment is paid with respect to the achievement of a milestone by a Licensed Therapeutic Product, the achievement of the same milestone by a Licensed Therapeutic Product that is a Back-up Product to the original Licensed Therapeutic Product would not obligate FivePrime to again pay such milestone payment. For the purpose of the previous sentence, a "Back-up Product" means a Licensed Therapeutic Product that FivePrime substitutes for a Licensed Therapeutic Product that FivePrime abandons during development due to lack of production scalability, poor pharmacokinetics, lack of sufficient pharmacodynamic effects, insufficient efficacy, poor tolerability, safety concerns or toxicity.

(c) Different Dosage and Delivery Forms. If a milestone payment is paid with respect to the achievement of a certain milestone by a Licensed Therapeutic Product, the achievement of the same milestone by a different dosage or delivery form of the same Licensed Therapeutic Product shall not obligate FivePrime to make payment on the same milestone with such different dosage or delivery form of the same Licensed Therapeutic Product.

7.3 Royalties.

7.3.1. Royalties for Licensed Products.

(a) General. FivePrime shall pay INBRX, on a Quarterly basis, royalties on Net Sales during such Quarter, calculated on a Licensed Product-by-Licensed Product and country-by-country basis, as set forth in this Section 7.3, during the applicable Royalty Term.

(b) Licensed Therapeutic Products. Subject to applicable deductions in accordance with Section 7.3.3, FivePrime shall pay to INBRX a royalty on Net Sales during the Royalty Term of each Licensed Therapeutic Product equal to Net Sales of such Licensed Therapeutic Product multiplied by the applicable royalty rate below:

Net Sales of Licensed Therapeutic Products per Year	Royalty Rate
Aggregate worldwide annual Net Sales less than or equal to $***	***%

Net Sales of Licensed Therapeutic Products per Year	Royalty Rate
Aggregate worldwide annual Net Sales greater than $***	***%

(c) Licensed Diagnostic Products. FivePrime shall pay to INBRX a royalty on Net Sales during the Royalty Term of each Licensed Diagnostic Product equal to the Net Sales of such Licensed Diagnostic Product multiplied by ***.

7.3.2. Royalty Term. FivePrime's royalty payment obligation, on a Licensed Product-by-Licensed Product and country-by-country basis, shall commence upon the First Commercial Sale of such Licensed Product in such country, and shall expire upon the later of: (i) the date there is no longer any Valid Claim within the INBRX Patents that would, but for ownership of or a license under such INBRX Patents, be infringed by the making, using, selling, offering for sale, import or export of such Licensed Product in such country, and (ii) the date that is twelve (12) years after the First Commercial Sale of such Licensed Product in such country (such period, the "Royalty Term"). After expiration of the Royalty Term, all licenses granted by INBRX to FivePrime under this Agreement would be deemed to be fully paid-up royalty-free licenses.

7.3.3. Royalty Reductions for Licensed Therapeutic Products.

(a) Required Licenses. If, in FivePrime's judgment in its good faith, reasonable discretion based on legal advice, one or more Patents owned or controlled by a Third Party that FivePrime reasonably believes are valid and enforceable (i) ***, and (ii) ***; and if FivePrime obtains a license to such Patents (any such licenses, "Required Licenses"), then, subject to Section 7.3.3(c), *** of royalty payments actually paid under such Required Licenses by FivePrime on sale of such Licensed Therapeutic Product in a country for a Quarter shall be creditable against the royalty payments due to INBRX by FivePrime with respect to the sale of such Licensed Therapeutic Products in such country.

(b) Generic/Biosimilar. If, during the Royalty Term in a particular country, there are one or more products being sold in such country that are a Biosimilar with respect to a Licensed Therapeutic Product, then, subject to Section 7.3.3(c), the royalties payable under this Section 7.3 with respect to such Licensed Therapeutic Product in such country shall be reduced by ***.

(c) Royalty Floor. Notwithstanding anything to the contrary in the foregoing provisions of this Section 7.3.3 or this Agreement, including as a result of

either or both of the foregoing reductions, in no event shall the total amount of royalties owed with respect to a Licensed Therapeutic Product in a Quarter in a country equal less than *** of such Licensed Therapeutic Product in such Quarter in such country.

7.3.4. Reports; Payment of Royalty. During the Term, and following the First Commercial Sale of any Licensed Product, FivePrime shall within *** after the end of each Quarter furnish to INBRX a written report for such Quarter showing, on a Licensed Product-by-Licensed Product basis, the gross sales of such Licensed Product(s) during such Quarter, all deductions and adjustments in the calculation of such Net Sales, and the Net Sales and royalties due during such Quarter. FivePrime shall pay all royalties due under this Agreement with respect to a Quarter within *** after the end of such Quarter.

7.3.5. Payment Date. If FivePrime fails to pay any undisputed Additional Support Payments, fees or any milestone payments, royalties or any other payments according to this Agreement in full on or before the due date, interest on such amount shall accrue from the due date at a rate of interest of ***% above the three months LIBOR (as published in the *Wall Street Journal,* Eastern U.S. Edition on the due date) until the date such payment is made.

7.3.6. Records. FivePrime shall keep complete and accurate records for at least *** for each reporting period in which sales of Licensed Products occur, including records showing sales of Licensed Products and applicable deductions, in sufficient detail to enable the amounts payable hereunder (including royalties and milestones) and reports provided under Section 7.3.4 to be determined and verified.

7.3.7. Audits.

(a) Upon *** prior written request of INBRX and not more than *** in each Year, FivePrime shall permit an independent certified public accounting firm of nationally recognized standing selected by INBRX and reasonably acceptable to FivePrime to have access during normal business hours to such of the records of FivePrime as may be reasonably necessary to verify the accuracy of royalty reports hereunder for any year ending not more than *** prior to the date of such request; provided that if INBRX has timely commenced an audit with respect to any earlier time period and such audit shall be pending or its results disputed, INBRX shall have continued access to the records of such earlier time period. The accounting firm shall disclose to INBRX and FivePrime in writing 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 identifies an underpayment made by

FivePrime during such period, FivePrime shall pay INBRX *** of the amount of such underpayment, plus applicable interest as set forth in Section 7.3.6, within *** of the date INBRX delivers to FivePrime such accounting firm's written report so concluding, or as otherwise agreed upon in writing by the Parties. INBRX shall pay the fees charged by such accounting firm; provided, however, if such audit uncovers an underpayment by FivePrime that exceeds *** of the total payment due for the period under audit, then FivePrime shall pay the fees of such accounting firm whether previously paid by INBRX or then due. In the event that the accounting firm uncovers an overpayment by FivePrime, then FivePrime shall credit such overpayment against any royalty payments owing in the Quarter following the Quarter in which such audit was completed, and 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 INBRX.

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

(d) INBRX shall treat all financial information subject to review under this Section 7.3.7 or under any sublicense agreement in accordance with the confidentiality and non-use provisions of this Agreement. Prior to commencing any audits under this Section 7.3.7 FivePrime may require the independent accounting firm to enter into a confidentiality agreement with FivePrime or its Affiliates or sublicensees, as applicable, with obligations of confidentiality and non-use with respect to such information substantively similar to those in this Agreement.

7.4 Payment Method and Exchange Rate. FivePrime shall pay all amounts due hereunder in Dollars by wire transfer of immediately available funds to the bank account INBRX designates in writing from time to time. In the case of any amounts payable or receivable in a foreign currency, the Parties shall apply the spot rate of exchange in effect on the last day of the Quarter prior to which such amounts becomes payable or receivable, as published by Reuters.

7.5 Withholding Tax. Neither Party shall treat their relationship under this Agreement as a pass through entity for tax purposes. All payments made under this Agreement shall be free and clear of any and all taxes, duties, levies, fees or other charges, except for withholding taxes. If applicable Law requires withholding of any taxes imposed upon INBRX on account of any royalties paid under this Agreement, FivePrime shall withhold such taxes, to the extent paid (and not refunded or reimbursed), as required by such Law from such remittable royalty and timely pay such withheld taxes to the proper tax authorities. FivePrime shall

promptly secure official receipts of payment of any withholding tax and send such receipts to INBRX as evidence of such payment. FivePrime shall reasonably cooperate with INBRX in the event INBRX claims exemption from such withholding or seeks deductions under any double taxation or other similar treaty or agreement from time to time in force.

8. Confidentiality and Publication.

8.1 Confidential Information. "Confidential Information" means any data, information or material disclosed by or on behalf of one Party (the "Disclosing Party"), whether in writing, visually, orally or in electronic or other medium, to the other Party or its designee (the "Receiving Party") in connection with this Agreement. Except with respect to disclosures expressly permitted herein, the terms of this Agreement shall be kept confidential by each Party.

8.2 Nondisclosure Obligation. Subject to Sections 8.3, 8.4, 8.5, and 8.6, 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, 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 entities and individuals are subject to obligations of confidentiality and non-use substantively similar to those contained in 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.

8.3 Exceptions. Information shall not be deemed Confidential Information of a Disclosing Party to the extent that the Receiving Party can demonstrate with competent proof that such information:

8.3.1. was known by the Receiving Party at the time of its receipt, without any obligations of confidentiality or non-use, and not through a prior disclosure by the Disclosing Party;

8.3.2. was in the public domain before its receipt from the Disclosing Party, or thereafter entered the public domain through no fault of the Receiving Party or with the consent of the Disclosing Party;

8.3.3. was subsequently disclosed to the Receiving Party, without any

obligations of confidentiality or non-use, by a Third Party whom the Receiving Party had a reasonable, good-faith belief had a right do so and who was not under an obligation of confidentiality with respect thereof to the Disclosing Party; or

8.3.4. was developed by the Receiving Party independently of Confidential Information of 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 contemporaneous written records of the Receiving Party.

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

8.4 Permitted Disclosure. Nothing in this Section 8 shall restrict the Receiving Party from disclosing Confidential Information of the Disclosing Party to the extent that such disclosure:

8.4.1. 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 a clinical trials or to market Licensed 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;

8.4.2. is deemed necessary by the Receiving Party to be disclosed to attorneys, independent accountants, potential or actual acquirers, bona-fide potential or actual sublicensees, merger candidates or investors or venture capital firms, investment bankers or other financial institutions or investors, provided that, except with respect to the disclosure of pro forma financial projections, all such recipients agree to be bound by confidentiality and non-use obligations; or

8.4.3. 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 of the Disclosing Party necessary to comply, as reasonably determined by the Receiving Party's legal counsel.

INBRX acknowledges that FivePrime plans to (i) file a Current Report on Form 8-K (the "Current Report") with the Securities and Exchange Commission (the "SEC") within four (4) Business Days of the full execution and delivery of this Agreement, which Current Report shall include a description of the terms and conditions of this Agreement, and (ii) attach this Agreement, redacted of competitively sensitive information, as permitted by the SEC, as an exhibit to either an amendment to the Current Report or the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2015 or September 30, 2015 that FivePrime will file with the SEC (such report the "Quarterly Report"). INBRX hereby consents to FivePrime's filing of such Current Report and the attachment of this Agreement to an amendment to the Current Report or the Quarterly Report; provided that FivePrime allow INBRX at least *** to review the contents of such Current Report and a reasonable opportunity for INBRX to discuss with FivePrime any comments or proposed revisions it may have with respect to the information disclosed in such Current Report.

8.5 Publicity. Promptly following the Effective Date, the Parties will issue a joint public announcement of the execution of this Agreement in the form of the press release attached hereto as Exhibit E. FivePrime shall have the right to publicly disclose information about the Licensed Products at its sole discretion, subject to FivePrime's obligations set forth in Section 8.2 with respect to Confidential Information of INBRX. 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, INBRX shall have the right to disclose publicly: (a) the fact that it is engaged in a research collaboration with FivePrime under this Agreement; (b) the occurrence of any milestone event listed in Section 7.2.3 and the amount of the milestone payment for such milestone event under Section 7.2.3; (c) the occurrence of the First Commercial Sale of any Licensed Product; and (d) the amount of royalties received from FivePrime by INBRX under this Agreement. For each such disclosure outlined in subsections (b) through (d) above, unless INBRX otherwise has the right to make such disclosure under this Section 8, INBRX shall provide FivePrime with a draft of such disclosure at least *** *** prior to its intended release for FivePrime's review and comment, and INBRX shall consider in good faith the incorporation of any such comments from FivePrime. If INBRX does not receive comments from FivePrime within *** after INBRX provides such draft to FivePrime, then INBRX shall have the right to make such disclosure without further delay.

8.6 Publications. FivePrime shall have the right to publish manuscripts, abstracts, presentations or other articles in scientific journals or at scientific conferences relating to any Licensed Product without obtaining the prior written consent of INBRX; provided, however, that (i) INBRX shall have the right to review and comment upon each such manuscript, abstract,

presentation or other article in which an INBRX employee is also named as an author, that contains any Confidential Information of INBRX, INBRX Collaboration Know-How, Joint Collaboration Know-How or INBRX Know-How and FivePrime shall consider such comments in good faith, and (ii) INBRX shall be noted, including at INBRX's discretion, the name and, if applicable, logo of INBRX, on each such publication. In the event that either Party desires to make a publication pursuant to this Section 8.6, 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 *** 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 *** specified above the non-publishing Party notifies the other Party that a proposed publication contains patentable subject matter which requires protection, the non-publishing Party may by written notice delay the publication for a period of time not to exceed *** 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.

8.7 Survival. Sections 8.1, 8.2, 8.3, and 8.4 shall survive the expiration or termination of this Agreement for a period of ***.

9. Intellectual Property.

9.1 Ownership.

9.1.1. As between the Parties, subject to the License, INBRX will own all right, title and interest in and to the INBRX Collaboration Know-How and INBRX Collaboration Patents.

9.1.2. As between the Parties, subject to Section 5.2 and Section 11.5.1(b), FivePrime will own all right, title and interest in and to the FivePrime Collaboration Know-How and FivePrime Collaboration Patents.

9.1.3. Subject to the licenses granted by one Party to the other under this Agreement, each Party retains full ownership rights in and to such Joint Collaboration Know-How and Joint Collaboration Patents, for any field, and including the right to license and sublicense, and to freely exploit, transfer or encumber its ownership interest, without the consent of, or payment or accounting to, the other Party. Subject to the terms of this Agreement, including Section 7, each Party hereby waives any right it may have under the laws of any

jurisdiction to require such payment, accounting, or consent with respect to Joint Collaboration Know-How and Joint Collaboration Patents.

9.1.4. Any determination of inventorship with respect to any Collaboration Patent or Collaboration Know-How shall be determined in accordance with United States patent laws.

9.2 Prosecution of Patents.

9.2.1. INBRX GITR Patents. The Parties shall cooperate in the Prosecution, including decisions on the countries in which Prosecution should be conducted, of INBRX GITR Patents as set forth in this Section 9.2.1. The Parties shall Prosecute the INBRX GITR Patents through outside counsel jointly selected by the Parties. The Parties shall instruct the outside counsel to (i) keep the Parties informed regarding the Prosecution; (ii) promptly furnish to each Party a copy of all documents and material correspondence with respect to such Prosecution, including copies of correspondence with any patent office, foreign associates and outside counsel; and (iii) act on the Parties' instructions relating to such Prosecution and Maintenance. Each Party shall cooperate with and assist the other Party in the Prosecution of any INBRX GITR Patent, including (a) consulting with the other Party after receiving any substantial action or development in the Prosecution of such Patent and (b) making its relevant scientists and scientific records reasonably available as necessary to Prosecute such Patent. In addition, each Party shall sign and deliver, or use reasonable efforts to have signed and delivered, at no charge to the other Party, all documents necessary in connection with such Prosecution. FivePrime shall be responsible for the *** for Prosecution of the INBRX GITR Patents, ***. Subject to the foregoing sentence, each Party shall be responsible for any costs it incurs in performing activities related to the Prosecution of the INBRX GITR Patents. With respect to Prosecution of INBRX GITR Patents, the Parties shall attempt to make decisions by reaching agreement. If the Parties cannot reach agreement regarding the Prosecution of an INBRX GITR Patent (a "Prosecution Disagreement") within ***, such Prosecution Disagreement shall be referred to the Parties' *** (or their designees) who shall attempt in good faith to resolve such Prosecution Disagreement over a period of ***. If the *** (or their designees) cannot resolve such Prosecution Disagreement over such *** period, then, notwithstanding Section 13.6 or anything to the contrary in this Agreement, the final decision regarding such Prosecution Disagreement shall be made by FivePrime. Notwithstanding the time periods to resolve Prosecution Disagreements under this Section 9.2.1, if action is required regarding the Prosecution of an INBRX GITR Patent with respect to which a Prosecution Disagreement has arisen within shorter time periods than enumerated under this Section 9.2.1 in order to preserve rights in or the scope of or avoid any potential reduction in the amount of available patent term adjustment of any INBRX GITR Patent, FivePrime shall have final decision-making authority with respect to such Prosecution Disagreement within such shorter time period without referring the dispute to the Parties' *** (or

their designees); provided, however, if reasonably possible, FivePrime shall consult with INBRX prior to making any such final decision. If FivePrime, pursuant to its final decision-making authority, elects to cease Prosecution of any INBRX GITR Patent (including with respect to any country), it shall promptly notify INBRX in writing of such decision (an "Abandonment Notice") at least *** before the date any action or payment is required in order to prevent the abandonment of rights to such INBRX GITR Patent. If any INBRX GITR Patent that is the subject of an Abandonment Notice is being Prosecuted in a country other than ***, then INBRX may, by written notice to FivePrime within *** after the date of such Abandonment Notice, elect to exclude such INBRX GITR Patent from the License under this Agreement unless FivePrime continues Prosecution of such INBRX GITR Patent within *** after such notice from INBRX. If FivePrime ceases Prosecution of any INBRX GITR Patent, INBRX shall have the right, but not the obligation, at its sole discretion and expense, to Prosecute such INBRX GITR Patent.

9.2.2. INBRX Platform Patents. As between the Parties, INBRX shall have the sole right, at its sole discretion and ***, to Prosecute the INBRX Platform Patents; provided that INBRX shall keep FivePrime informed of all material developments in such Prosecution pertaining to Compounds and Licensed Products. INBRX will take into consideration FivePrime's reasonable comments related to the Prosecution of INBRX Platform Patents to the extent such comments relate to Compounds or Licensed Products and are timely provided and it is practicable to do so. INBRX shall Prosecute the INBRX Platform Patents in good-faith and use reasonable efforts to ensure that Prosecution of the INBRX Platform Patents does not negatively impact, in an unreasonable manner, the Prosecution, scope or validity of INBRX GITR Patents or any claims to Compounds, Licensed Products and/or Licensed Diagnostics (or methods of making or using Compounds, Licensed Products and/or Licensed Diagnostics) ("GITR-Specific Claims"). INBRX shall, and shall cause its Affiliates to, in the course of Prosecution of INBRX Platform Patents, use reasonable efforts to separate from each INBRX Platform Patent and separately claim, in one or more separate Patent applications, subject matter limited to only GITR-Specific Claims (e.g., by filing a divisional application of an INBRX Platform Patent containing only GITR-Specific Claims) and ensure the assignment of such separate Patent applications to INBRX. If INBRX elects to cease Prosecution of any INBRX Platform Patent that contains any GITR-Specific Claim, it shall promptly notify FivePrime in writing of such decision at least *** before the date any action or payment is required in order to prevent the abandonment of rights to such INBRX Platform Patent, in which event FivePrime shall have the right, but not the obligation, at its sole discretion and expense, to Prosecute only the GITR-Specific Claims in such INBRX Platform Patent in accordance with Section 9.2.1.

9.2.3. Joint Collaboration Patents. FivePrime shall have the first right, but not the obligation, to Prosecute, at its sole cost and expense and through outside counsel jointly selected by the Parties, all Joint Collaboration Patents. If FivePrime elects to cease Prosecution of any Joint Collaboration Patent, it shall promptly notify INBRX in writing of such decision at

least *** before the date any action or payment is required in order to prevent the abandonment of rights to such Joint Collaboration Patent, in which event INBRX shall have the right, but not the obligation, at its sole discretion and expense, to Prosecute such Joint Collaboration Patent.

9.3 Enforcement and Defense.

9.3.1. Infringement; Notice. Each Party shall give the other Party written notice of any actual or threatened infringement of any INBRX Patents by an unlicensed Third Party (an "Alleged Infringer") through the making, having made, using, selling, offering for sale or importing of a Licensed Product (a "Product Infringement") within *** after such Party has knowledge of such Product Infringement.

9.3.2. Infringement Action by FivePrime. FivePrime, upon notice to INBRX, shall have the first right to seek to abate any Product Infringement, including initiating and prosecuting any legal action with respect to such Product Infringement, (an "Infringement Action"), at its expense, and to control the defense of any declaratory judgment action relating to a Product Infringement. INBRX shall cooperate with FivePrime (as may be reasonably requested by FivePrime), including, if necessary, by being joined as a party. FivePrime shall reimburse INBRX for its direct, out-of-pocket costs associated with INBRX's above cooperation, as requested by FivePrime. FivePrime shall not enter into any settlement or compromise that would affect the scope, validity, enforcement, exclusivity or duration of any INBRX Patent or INBRX's rights under this Agreement, or that would impose a financial obligation on INBRX, or impose any admission of guilt or liability on INBRX without INBRX's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed.

9.3.3. Infringement Action by INBRX. In the event that FivePrime elects not to initiate, within *** of a notice received or provided pursuant to Section 9.3.1, an Infringement Action or to prosecute such Infringement Action, if INBRX has a good faith belief that there is a Product Infringement, INBRX shall have the right to seek to abate such Product Infringement, including initiating an Infringement Action, and to control the defense of any declaratory judgment action relating to a Product Infringement, at its expense. At FivePrime's request, INBRX shall meet with FivePrime in person to discuss the basis on which INBRX has a good faith belief that there is a Product Infringement. Such meeting shall take place with *** of FivePrime's request at a place of business of FivePrime or INBRX or another mutually agreeable location. FivePrime shall cooperate with INBRX (as may be reasonably requested by INBRX), including, if necessary, by being joined as a party. INBRX shall reimburse FivePrime for its direct, out-of-pocket costs associated with FivePrime's above cooperation, as requested by INBRX. INBRX shall not enter into any settlement of, or consent to an adverse judgment in, any Infringement Action brought under this Section 9.3.3 that would affect the scope, exclusivity or duration of any INBRX GITR Patent or any GITR-Specific Claim in any INBRX Platform

Patent or any of FivePrime's rights under this Agreement without FivePrime's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed.

9.3.4. Cooperation. In connection with any Infringement Action under this Section 9.3, FivePrime and INBRX 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 9.3.

9.3.5. Recoveries. Any recovery obtained by either or both FivePrime and INBRX in connection with or as a result of any Infringement Action contemplated by this Section 9.3, whether by settlement or otherwise, shall be shared in order as follows:

(a) Each Party shall recoup all of its costs and expenses incurred in connection with such Infringement Action (on a pro-rata basis); and

(b) The Party initiating such Infringement Action shall retain any remainder; except in the event FivePrime is such Party, such remainder (i) representing compensation for lost sales, a reasonable royalty or lost profits shall be deemed Net Sales and subject to the royalty payments to INBRX under Section 7.3 and (ii) any remaining amount that represents additional damages (for example, enhanced or punitive damages) shall be shared equally by the Parties.

10. Representations, Warranties and Covenants.

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

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

10.1.2. 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

10.1.3. 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.

10.2 INBRX Representation and Warranties. INBRX represents and warrants to FivePrime that as of the Effective Date:

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

10.2.2. Exhibit B sets forth a complete and accurate list of all INBRX Patents as of the Effective Date. The INBRX Patents existing as of the Effective Date are properly filed patent applications, and INBRX is the sole owner of or exclusively licenses from Inhibrx, LP each such existing INBRX Patent;

10.2.3. It has not previously assigned, transferred, conveyed, exclusively licensed, or otherwise encumbered its right, title and interest in INBRX Know-How or INBRX Patents in any manner that would prevent it from granting the licenses set forth in Section 5.1;

10.2.4. All employees, consultants and advisors of INBRX or Inhibrx, LP, as applicable, are required to and have, prior to the commencement of their employment or services with INBRX or Inhibrx, LP, as applicable, entered into agreements with INBRX or Inhibrx, LP, as applicable, requiring them to assign, to the extent permitted by Law, all inventions conceived of or reduced to practice by such employee, consultant or advisor during the course of such employee, consultant or advisor's employment or performance of services to INBRX or Inhibrx, LP, as applicable.

10.2.5. Except as disclosed to FivePrime in writing prior to the Effective Date, INBRX is not party to any agreement with a Third Party that as of the Effective Date does or in the future may require INBRX to pay to such Third Party any license payments, milestones, royalties, damages or other payments as a result of INBRX's or FivePrime's use of the Licensed IP.

10.2.6. It has the right to grant the License and rights herein to FivePrime and it has not granted any license, right or interest in, to or under the INBRX Patents or INBRX Know-How to any Third Party with respect to any of the Compounds or Licensed Products inconsistent with the License and rights granted to FivePrime herein; and

10.2.7. There are no claims, judgments or settlements against or owed by INBRX and there are no pending or threatened claims or litigation, in each case relating to any Compounds or Licensed Products or to the INBRX Patents or INBRX Know-How in the Territory.

10.3 Covenants. During the Research Term, INBRX will not 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 that would conflict or interfere with any of the rights or licenses granted to, or to be granted to, FivePrime hereunder; unless disclosed to FivePrime, and consented to by FivePrime in writing, prior to such use.

10.4 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.

11. Term and Termination.

11.1 Term and Expiration. The term of this Agreement (the "Term") shall commence on the Effective Date and, unless terminated earlier pursuant to this Section 11, shall expire on a Licensed Product-by-Licensed Product and country-by-country basis upon the expiration of all payment obligations under Section 7, after which the licenses granted by INBRX to FivePrime in Section 4 with respect to such Licensed Product in such country shall become fully paid-up and non-exclusive.

11.2 Termination at Will. FivePrime shall have the right, in its sole discretion, to terminate this Agreement in its entirety without cause at any time during the Term by giving INBRX *** prior written notice. INBRX shall use reasonable efforts to wind down its respective efforts under the Research Plan and the Additional Support Plan, if applicable, and FivePrime shall remain responsible for all liabilities and obligations incurred or accrued as provided in Section 7 prior to the effective date of such termination.

11.3 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, at any time during the Term: (a) 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 *** after such notice for any payment breach, or, as the case may be, *** 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 *** or *** cure period, as applicable, shall be tolled until such time as the Dispute is resolved pursuant to Section 13.6. 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 13.6 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 13.6 and not cured within *** 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 effective immediately.

11.4 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 *** 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.

11.5 Consequences of Termination.

11.5.1. In the event FivePrime terminates this Agreement under Section 11.2 or INBRX terminates this Agreement under Section 11.3 for FivePrime's uncured material breach, the following shall apply:

(a) Within *** after the termination effective date, FivePrime shall pay all amounts payable to INBRX hereunder that have accrued but have not been paid as of the effective date of termination with respect to each Licensed Product.

(b) The Licenses shall immediately terminate and FivePrime shall have no further rights to Licensed Products. Without limiting the foregoing, FivePrime shall assign to INBRX all Regulatory Approvals for all Licensed Products and INBRX shall have the right to, in its sole discretion, research, develop and commercialize all Licensed Products, either by itself or with any Third Party, without regard to anything to the contrary in this Agreement. In addition, INBRX shall have the time-limited exclusive

option to negotiate with FivePrime, on terms and conditions that are commercially reasonable under the circumstances, for an exclusive license under all intellectual property (including Patents, FivePrime Collaboration Know-How and FivePrime Collaboration Patents) Controlled by FivePrime necessary to develop, manufacture and commercialize all Licensed Products. INBRX may exercise such option at any time after the date this Agreement terminates and prior to the date that is *** after the date this Agreement terminates, by providing FivePrime with written notice to that effect. Following receipt of such notice, the Parties will promptly meet to discuss in good faith and negotiate over a period of *** the terms of such a license. Nothing herein shall be construed as obligating either Party to enter into any such agreement on terms and conditions that are not acceptable to it, and each Party shall have the right to unilaterally discontinue all discussions and negotiations with respect to such a transaction at any time after the end of such *** negotiation period and without obligation or liability to the other Party.

(c) No later than *** after the termination effective 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.

(d) No later than *** after the termination effective date, FivePrime shall return to INBRX (or, at INBRX's request, shall destroy) all of the Materials (including all progeny or derivatives thereof) that are remaining in FivePrime's possession. In addition, FivePrime will cooperate in good-faith with INBRX, at INBRX's request, to affect an order transition of all ongoing development (including any Clinical Trials) and commercialization activities with respect to Licensed Products.

11.5.2. In the event that FivePrime terminates this Agreement under Section 11.3 for INBRX's uncured material breach, FivePrime's license according to Section 5.1 shall remain in full force and effect on its own terms, provided that FivePrime fulfills its payment obligations and other obligations under Section 7 net of any money damages for which INBRX was found liable in any Arbitration with respect to such uncured material breach.

11.6 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 Licensed 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 11. The provisions set forth in Sections 1, 3.7.1, 3.7.5, 3.7.6, 7, 8.1, 8.2, 8.3, 8.4, 8.7, 9.1, 9.3.5, 11.5, 11.6, 12, 13.4, 13.5, 13.6, 13.7, 13.8, 13.9, 13.12, 13.13, 13.14, 13.15 and 13.17 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.

12. Indemnification.

12.1 Indemnification by INBRX. INBRX 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 proximally caused by: (a) the material breach by INBRX (or its Affiliates or subcontractors) of this Agreement, (b) the gross negligence or willful misconduct of INBRX or its Affiliates, or (c) the failure by INBRX or its Affiliates to abide by any applicable Law; except, in each case, to the extent such FivePrime Losses result from: (i) the material breach of this Agreement by FivePrime; (ii) the gross negligence or willful misconduct of any FivePrime Indemnitee; or (iii) the failure by a FivePrime Indemnitee to abide by any applicable Law or regulation.

12.2 Indemnification by FivePrime. FivePrime shall indemnify, defend, and hold harmless INBRX, its Affiliates and its and their respective agents, employees, officers and directors (each a "INBRX Indemnitee") 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, "INBRX Losses") to which any INBRX Indemnitee may become subject to the extent such INBRX Losses are directly or indirectly caused by or otherwise arise out of or are in connection with: (a) the material breach of FivePrime (or its Affiliates, distributors, sublicensees or subcontractors) of this Agreement, (b) the practice by FivePrime, its sublicensees, or its Affiliates of any license or sublicense granted to FivePrime hereunder, through the manufacture, use, sale, offer for sale or importation of a Licensed Product or otherwise, (c) the manufacture, use, handling, storage, importation, exportation, sale, offer for sale, distribution or other disposition by FivePrime, its Affiliates, sublicensees, subcontractors or distributors of Licensed Product(s), (d) the use by a Third Party of any Compound or Licensed Product sold or otherwise provided by or on behalf of FivePrime, its Affiliates, sublicensees, subcontractors or distributors, (e) a material breach by FivePrime or its Affiliates of this

Agreement, (f) the negligence or willful misconduct by FivePrime, its Affiliates, sublicensees, or subcontractors, or distributors, or (g) the failure by a FivePrime Indemnitee to abide by any applicable Law or regulation; except, in each case, to the extent such INBRX Losses result from: (i) the material breach by INBRX, its Affiliates, sublicensees or subcontractors of this Agreement, (ii) the gross negligence or willful misconduct of any INBRX Indemnitee; or (iii) the failure by any INBRX Indemnitee to abide by any applicable Law or regulation.

12.3 Notice of Indemnification Obligation and Defense. (As used in this Section 12.3, the term "Losses" means, as applicable, any and all INBRX Losses or FivePrime Losses, and "Indemnitees" means, as applicable, any and all INBRX Indemnitees or FivePrime Indemnitees.) Any Party entitled to indemnification under Section 12.1 or 12.2 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 12.1 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 (a) result in the admission of any liability or fault on behalf of the other Party or its Indemnitees, (b) result in or impose any payment obligations upon the other Party or its Indemnitees, (c) 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.

12.4 LIMITATION OF LIABILITY. EXCEPT IN RESPECT OF SATISFYING AN OBLIGATION OF INDEMNITY PUSUANT TO SECTION 12.1 OR 12.2, AS APPLICABLE, 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.

13. General Provisions.

13.1 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 (except for strikes, lockouts or labor disturbances involving such affected Party's respective employees or agents), fire, floods, earthquake, or other acts of God, or acts, omissions or delays in acting by any governmental authority, and which 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 ***, 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.

13.2 Assignment. Except as provided in this Section 13.2, 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 in whole 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 13.2 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. For purposes of this Section 13.2, "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 which, immediately prior to the Strategic Transaction, directly or indirectly controls such Party.)

13.3 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) which, insofar as practical, implements the purposes of this Agreement.

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

If to INBRX, to: INBRX 110 LP
11099 North Torrey Pines Road
Suite 280
La Jolla, CA 92037
Attention: President & CEO

If to FivePrime, to: Five Prime Therapeutics, Inc.
2 Corporate Drive
South San Francisco, CA 94080
Attention: Chief Business Officer

and Five Prime Therapeutics, Inc.
2 Corporate Drive
South San Francisco, CA 94080
Attention: Legal Department

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 13.4). Any such notice shall be deemed to have been given: (i)

when delivered, if personally delivered on a Business Day (or if delivered or sent on a non-Business Day, then on the next Business Day); (ii) on the Business Day of scheduled delivery, if sent by internationally recognized express courier; or (iii) 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 Project Leader with a copy to legal@fiveprime.com and mark@inibrx.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).

13.5 Applicable Law. This Agreement and all claims relating to or arising out of this Agreement or the breach thereof shall be governed by and construed in accordance with the laws of the state of California without reference to any of its conflict of laws principles.

13.6 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 hereof (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 ***.

13.6.1. If the Parties do not fully settle any Dispute within *** of referring such matter to the executive officers pursuant to Section 13.6.1, then, except for any Excluded Claims, 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 13.6.4 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 13.6 shall be confidential except as otherwise expressly permitted in this Agreement or required by applicable Law.

13.6.2. 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 *** 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 *** 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.

13.6.3. 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 13.6.3, including sanctions provided under Federal Rule of Civil Procedure 37.

13.6.4. 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.

13.6.5. 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 12.4, 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.

13.6.6. 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.

13.6.7. 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.

13.6.8. As used in this Section, the term "Excluded Claim" means a dispute, controversy or claim between the Parties to the extent it concerns (a) the scope, validity, enforceability, inventorship or infringement of Patents; or (b) compliance by the Parties with any

Laws governing antitrust, anti-monopoly or competition law or regulation, whether or not statutory.

13.7 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 Confidentiality Agreement between FivePrime and Inhibrx LLC effective as of July 29, 2014 (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. 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.

13.8 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.

13.9 Independent Contractors. It is expressly agreed that INBRX and FivePrime 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 INBRX nor FivePrime 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.

13.10 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.

13.11 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.

13.12 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.

13.13 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.

13.14 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.

13.15 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, (a) words of any gender include each other gender, (b) 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, (c) words using the singular include the plural, and vice versa, (d) references to "day" mean calendar days, (e) 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 (f) 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.

13.16 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.

13.17 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.]

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

Five Prime Therapeutics, Inc.	**INBRX 110 LP**
By: /s/ Lewis T. Williams	By: /s/ Mark Lappe
Name: Lewis T. Williams	Name: Mark Lappe
Title: President and Chief Executive Officer	Title: Chief Executive Officer

Exhibit A

Research Plan

***

***** 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.**

Exhibit B

INBRX Patents

***

***** 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.**

Exhibit C

Restricted Antigens

The Restricted Antigens are:

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***** 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.**

Exhibit D

Stock Purchase Agreement

This Stock Purchase Agreement (this "Agreement"), effective as of [_____], 201_ (the "Effective Date"), is entered into by and between INBRX 110, LP, a Delaware limited partnership ("Inhibrx"), and Five Prime Therapeutics, Inc., a Delaware corporation ("FivePrime"). Inhibrx and FivePrime are referred to individually as a "Party" and collectively as the "Parties".

Recitals

WHEREAS, FivePrime and Inhibrx have entered into a Research Collaboration and License Agreement (the "Collaboration Agreement"), effective as of July [_], 2015;

WHEREAS, in accordance with Section 7.2.3 of the Collaboration Agreement, in connection with FivePrime's achievement of that certain milestone set forth in Section 7.2.3 of the Collaboration Agreement with respect to [*add description of milestone*] on [*add date of FivePrime's achievement of the milestone*], FivePrime is obligated to pay Inhibrx a milestone payment in the aggregate amount of $[_____] (the "Milestone Payment");

WHEREAS, pursuant to Section 7.2.2 of the Collaboration Agreement, FivePrime has elected to pay Inhibrx [$_____ of] the Milestone Payment in shares of FivePrime's common stock, par value $0.001 per share ("Common Stock"), having at least an equivalent value to [$_____ of] the Milestone Payment, based on the weighted-average closing price for the prior *** from the date of FivePrime's achievement of such milestone, and upon the terms and conditions set forth in this Agreement;

WHEREAS, the capitalized terms used herein and not otherwise defined have the meanings given them in Section 6;

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. Issuance of Common Stock.

1.1. Issuance of Common Stock. At the Closing, FivePrime will issue to Inhibrx in [full satisfaction of the Milestone Payment] ***[OR]*** [satisfaction of $_____ of the Milestone Payment] [_____] shares of Common Stock (the "Shares"). In accordance with Section 7.2.2 of the Collaboration Agreement, the purchase price for the Shares is $[_____] per share for an aggregate purchase price of $[_____] (the "Purchase Price") (as calculated in accordance with Exhibit A hereto).

1.2. Closing. The closing of the transaction contemplated by this Agreement (the "Closing") will take place on [_____] (the "Closing Date") at the offices of FivePrime, Two Corporate Drive, South San Francisco, California 94080, or at such other time and place (including by electronic exchange of facsimile signatures) as may be agreed upon by FivePrime and Inhibrx. On the Closing Date, FivePrime will, in full satisfaction of the Milestone Payment, instruct its transfer agent to record in the name of Inhibrx the Shares in book entry form (and, upon request, will deliver to Inhibrx stock certificates registered in the name of Inhibrx (or a wholly owned subsidiary of Inhibrx) representing the Shares).

2. Representations and Warranties of FivePrime. Except as specifically contemplated by this Agreement or as set forth in any of the SEC Documents, FivePrime hereby represents and warrants to Inhibrx that:

2.1. Organization and Qualification. FivePrime is duly incorporated, validly existing and in good standing under the laws of the State of Delaware, with full corporate power and authority to conduct its business as currently conducted as disclosed in the SEC Documents. FivePrime is duly qualified to do business and is in good standing in every jurisdiction in which the nature of the business conducted by it or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, would not reasonably be expected to have a Material Adverse Effect.

2.2. Authorization; Enforceability. FivePrime has all requisite corporate power and authority to execute and deliver and to perform its obligations under this Agreement, to consummate the transactions contemplated hereby and to issue the Shares in accordance with the terms hereof. The execution, delivery and performance of this Agreement by FivePrime and the consummation by it of the transactions contemplated hereby (including the issuance of the Shares) have been duly authorized by the Board of Directors of FivePrime (the "Board") and no further consent, authorization or corporate action of FivePrime, the Board, or FivePrime's stockholders is required in connection with this Agreement or the transactions contemplated hereby. This Agreement has been duly executed and delivered by FivePrime and constitutes a legal, valid and binding obligation of FivePrime enforceable against FivePrime in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, or moratorium or similar laws affecting creditors' and contracting parties' rights generally.

2.3. Capitalization. The authorized capital stock of FivePrime, as of [*insert date of latest quarterly report or annual report*], consisted of [_____] shares of Common Stock, of which [_____] shares were issued and outstanding,

and[_____]shares of blank check preferred stock, par value $0.001 per share, of which [_____] shares were issued and outstanding. All of the issued and outstanding shares of Common Stock have been duly authorized and validly issued, fully paid, and nonassessable. As of [_____], 20[_], an aggregate of [_____] shares of Common Stock were issuable upon exercise of stock options outstanding [and a warrant to purchase an aggregate of [_____] shares of Common Stock was outstanding]. Except as disclosed in or contemplated by the SEC Documents, FivePrime does not have outstanding any options to purchase, or any preemptive rights or other rights to subscribe for or to purchase, any securities or obligations convertible into, or any contracts or commitments to issue or sell, shares of its capital stock or any such options, rights, convertible securities or obligations other than options granted under FivePrime's stock option plans and its employee stock purchase plan. The issuance of the Shares will not obligate FivePrime to issue shares of Common Stock or other securities to any Person (other than Inhibrx) and will not result in a right of any holder of FivePrime securities to adjust the exercise, conversion, exchange or reset price under any of such securities. FivePrime's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation"), as in effect on the Effective Date, and FivePrime's Amended and Restated Bylaws (the "Bylaws"), as in effect on the Effective Date, are each filed as exhibits to the SEC Documents.

2.4. Issuance of Shares. The Shares are duly authorized and, upon issuance in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable and free and clear of all liens, and will not be subject to preemptive rights, rights of first refusal, purchase option, call option, subscription right or other similar rights of stockholders of FivePrime. Assuming the accuracy of the representations and warranties of Inhibrx in this Agreement, the Shares will be issued in compliance in all material respects with all applicable U.S. federal and state securities laws.

2.5. No Conflicts; Government Consents.

2.5.1. The execution, delivery and performance of this Agreement by FivePrime does not, and the consummation by FivePrime of the transactions contemplated hereby (including the issuance of the Shares) will not (i) conflict with or result in a violation of any provision of its Certificate of Incorporation or Bylaws or require the approval of FivePrime's stockholders, (ii) violate or conflict with, or result in a breach or violation of any provision of or constitute a default under, any agreement, indenture, or instrument to which FivePrime is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment, settlement or decree (including United States federal and state securities laws and rules and regulations of any self-regulatory organizations to which FivePrime or its securities are

subject) applicable to FivePrime, except in the case of clauses (ii) and (iii) only, for such conflicts, breaches, defaults and violations as would not reasonably be expected to have a Material Adverse Effect.

2.5.2. FivePrime is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency or any regulatory or self regulatory agency in order for it to execute, deliver or perform any of its obligations under this Agreement in accordance with the terms hereof, or to issue the Shares in accordance with the terms hereof, other than such as have been made or obtained, and except for (i) any filings required to be made under federal or state securities laws, (ii) any required filings or notifications regarding the issuance or listing of additional shares with Nasdaq and (iii) the filings required in accordance with Section 4.4.

2.6. SEC Documents, Financial Statements.

2.6.1. FivePrime has timely filed or furnished all reports, schedules, forms, statements and other documents required to be filed or furnished by it with the SEC since September 17, 2013, pursuant to the reporting requirements of the Exchange Act (all of the foregoing filed prior to the Effective Date and all exhibits included therein and financial statements and schedules thereto and documents (other than exhibits) incorporated by reference therein, together with the documents filed by FivePrime with the SEC pursuant to the requirements of the Securities Act prior to the Effective Date and all exhibits included therein and financial statements and schedules thereto and documents (other than exhibits), together referred to herein as the "SEC Documents"). As of their respective SEC filing dates, and only with respect to the SEC Documents filed by FivePrime pursuant to the Exchange Act, the SEC Documents complied in all material respects with the requirements of the Exchange Act and the applicable portions of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, including those filed pursuant to the Exchange Act and Securities Act, as such respective dates (or, if amended prior to the date of this Agreement, the date of the filing of such amendment, with respect to the disclosures that are amended), contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. True and complete copies of the SEC Documents are available for access by Inhibrx via the SEC's EDGAR system.

2.6.2. As of their respective dates, the Financial Statements and the related notes complied as to form in all material respects with applicable accounting

requirements and the published rules and regulations of the SEC with respect thereto. The Financial Statements and the related notes have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), consistently applied, during the periods involved (except (i) as may be otherwise indicated in the Financial Statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes, may be condensed or summary statements or may conform to the SEC's rules and instructions for Reports on Form 10-Q) and fairly present in all material respects the consolidated financial position of FivePrime as of the dates thereof and the consolidated results of its operations, retained earnings (loss), changes in financial position and cash flows, as the case may be, for the periods then ended (subject, in the case of unaudited statements, to normal and recurring year-end audit adjustments). All material agreements that were required to be filed as exhibits to the SEC Documents under Item 601 of Regulation S-K (collectively, the "Material Agreements") to which FivePrime is a party, or the property or assets of FivePrime is subject, have been filed as exhibits to the SEC Documents. All Material Agreements are valid and binding obligations of FivePrime, enforceable against FivePrime in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, or moratorium or similar laws affecting creditors' and contracting parties' rights generally. FivePrime is not, and has not received written notice that it is, in breach of, or default under any, of the Material Agreements, except in each case for such breaches or defaults as would not reasonably be expected to have a Material Adverse Effect.

2.7. **Disclosure Controls and Procedures.** Except as disclosed in the SEC Documents, FivePrime has established and maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) that are effective in all material respects to ensure that material information relating to FivePrime is made known to its chief executive officer and chief financial officer by others within those entities. FivePrime's certifying officers have evaluated the effectiveness of FivePrime's disclosure controls and procedures as of the end of the period covered by the most recently filed quarterly or annual periodic report under the Exchange Act (such date, the "Evaluation Date"). FivePrime presented in its most recently filed quarterly or annual periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no significant changes in FivePrime's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) or, to FivePrime's knowledge, in other factors that could significantly affect FivePrime's internal control over financial reporting.

2.8. **Accounting Controls.** Except as disclosed in the SEC Documents, FivePrime maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

2.9. **Absence of Litigation.** Except as disclosed in the SEC Documents, as of the Effective Date, there is no action, suit, proceeding or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to FivePrime's knowledge, threatened against FivePrime that if determined adversely to FivePrime would reasonably be expected to have a Material Adverse Effect or would reasonably be expected to impair the ability of FivePrime to perform its obligations under this Agreement.

2.10. **Placement Agents.** FivePrime has taken no action that would give rise to any claim by any Person for brokerage commissions, placement agent's fees or similar payments relating to this Agreement or the transactions contemplated hereby.

2.11. **No Material Adverse Change.** Since [*insert date of latest quarterly or annual report*], except as described or referred to in the SEC Documents and except for cash expenditures in the ordinary course of business, there has not been any change in the assets, business, properties, financial condition or results of operations of FivePrime or other event or occurrence that would reasonably be expected to have a Material Adverse Effect. Since [*insert date of latest quarterly or annual report*], (i) there has not been any dividend or distribution of any kind declared, set aside for payment, paid or made by FivePrime on any class of capital stock, (ii) FivePrime has not purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock, except issued pursuant to existing FivePrime stock option plans, (iii) FivePrime has not issued any equity securities to any officer, director or Affiliate, except issued pursuant to existing FivePrime stock option or stock purchase plans or executive and director compensation arrangements disclosed in the SEC Documents, (iv) FivePrime has not sustained any material loss or interference with FivePrime's business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority, (v) FivePrime has not incurred any material liabilities except in the ordinary course of business and (vi) FivePrime has not altered materially its method of accounting or the manner in which it keeps its accounting books and records. Except for the issuance of the Shares contemplated by

this Agreement, no event, liability or development has occurred or exists with respect to FivePrime or its business, properties, operations or financial condition, that would be required to be disclosed by FivePrime under applicable securities laws at the time this representation is made that has not been publicly disclosed at least one Trading Day prior to the date that this representation is made.

2.12. The Nasdaq Global Select Market. The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act. FivePrime has taken no action designed to terminate the registration of the Common Stock under the Exchange Act and FivePrime has not received any notification that the SEC is contemplating terminating such registration. The Common Stock is listed on The Nasdaq Global Select Market, and, to FivePrime's knowledge, there are no proceedings pending or, to the knowledge of FivePrime, threatened to revoke or suspend such listing or the listing of the Shares. FivePrime is in compliance in all material respects with the requirements of Nasdaq for continued listing of the Common Stock thereon and any other Nasdaq listing and maintenance requirements.

2.14. Compliance. FivePrime: (i) is not in violation of any judgment, decree, or order of any court, arbitrator or other governmental authority or (ii) is not nor has it been in violation of any statute, rule, ordinance or regulation of any governmental authority, including all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as would not reasonably be expected to result in a Material Adverse Effect.

2.15. No General Solicitation. Neither FivePrime nor, to FivePrime's knowledge, any Person acting on behalf of FivePrime has offered or sold any of the Shares by means of any form of general solicitation or general advertising.

2.16. S-3 Eligibility. FivePrime meets the requirements for the use of Form S-3 under the Securities Act.

3. Inhibrx' Representations and Warranties. Inhibrx represents and warrants to FivePrime with respect to itself and its purchase hereunder, that:

3.1. Acknowledgement of Risk

3.1.1. Inhibrx acknowledges and understands that its investment in the Shares involves a significant degree of risk, including (i) FivePrime remains an early stage business and requires substantial funds in addition to the proceeds from the sale of the Shares; (ii) an investment in FivePrime is speculative, and only investors who can afford the loss of their entire investment should consider investing in FivePrime and the Shares; (iii) in the event of a disposition of the Shares, Inhibrx could

sustain the loss of its entire investment; and (iv) FivePrime has not paid any dividends on its Common Stock since inception and does not anticipate the payment of dividends in the foreseeable future. Inhibrx acknowledges that risk factors related to FivePrime and an investment in FivePrime are more fully set forth in the SEC Documents and that Inhibrx has reviewed such risk factors;

3.1.2. Inhibrx has, in connection with its decision to purchase Shares, not relied upon any representations, warranties or other information (whether oral or written) of or related to FivePrime other than those representations and warranties of FivePrime specifically set forth herein, and Inhibrx has, with respect to all matters relating to this Agreement and the offer and sale of the Shares, relied solely upon the advice of Inhibrx' own counsel and has not relied upon or consulted any counsel to FivePrime.

3.2. **Governmental Review.** Inhibrx understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Shares or an investment therein.

3.3. **Authorization; Enforcement**. Inhibrx has the requisite power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. Inhibrx has taken all necessary action to authorize the execution, delivery and performance of this Agreement. Upon the execution and delivery of this Agreement, this Agreement shall constitute a valid and binding obligation of Inhibrx enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' and contracting parties' rights generally and except as enforceability may be subject to general principles of equity.

3.4. **No Short Sales**. Between the time FivePrime notified Inhibrx that the Milestone Payment would be in shares of Common Stock and the Effective Date, Inhibrx has not engaged in any short sales or similar transactions with respect to the Common Stock or any derivative thereof, nor has Inhibrx, directly or indirectly, caused any Person to engage in any short sales or similar transactions with respect to the Common Stock or any derivative thereof, including and in each case, in any transaction aimed, directly or indirectly, at affecting the price of the Common Stock listed on Nasdaq for purposes of the transactions contemplated by this Agreement.

4. **Covenants**.

4.1. **Expenses**. FivePrime and Inhibrx are liable for, and will pay, their own expenses incurred in connection with the negotiation, preparation, execution and delivery of this Agreement, including attorneys' and consultants' fees and expenses.

4.2. **Financial Information**. The financial statements of FivePrime to be included in any documents filed with the SEC will be prepared in accordance with GAAP, consistently applied, during the periods involved (except (i) as may be otherwise indicated in the Financial Statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes, may be condensed or summary statements or may conform to the SEC's rules and instructions for Reports on Form 10-Q) and will fairly present in all material respects the consolidated financial position of FivePrime as of the dates thereof and the consolidated results of its operations, retained earnings (loss), changes in financial position and cash flows, as the case may be, for the periods then ended (subject, in the case of unaudited statements, to normal and recurring year-end audit adjustments).

4.3. **Securities Laws Disclosure; Publicity.** On or before the fourth Business Day following the Effective Date, FivePrime shall file a Current Report on Form 8-K with the SEC describing the terms of the transactions contemplated by this Agreement.

4.4. **S-3 Eligibility**. FivePrime shall use its reasonable best efforts to satisfy the requirements for the use of Form S-3 under the Securities Act.

4.5. **Reports under the Exchange Act**. With a view to making available to Inhibrx the benefits of Rule 144 promulgated under the Securities Act ("Rule 144") and any other rule or regulation of the SEC that may at any time permit Inhibrx to sell securities of FivePrime to the public without registration or pursuant to a registration on Form S-3, FivePrime shall:

4.5.1. make and keep available adequate current public information, as those terms are understood and defined in Rule 144, at all times after the issuance of the Shares;

4.5.2. use reasonable best efforts to file with the SEC in a timely manner all reports and other documents required of FivePrime under the Securities Act and the Exchange Act; and

4.5.3. furnish to Inhibrx, so long as Inhibrx owns any Shares, forthwith upon request (i) to the extent accurate, a written statement by FivePrime that it has complied with the reporting requirements of Rule 144, the Securities Act, and the Exchange Act, or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3; (ii) a copy of the most recent annual or quarterly report of FivePrime and such other reports and documents so filed by FivePrime; and (iii) such other information as may be reasonably requested in availing Inhibrx of any rule or regulation of the SEC that permits the selling of any such securities without registration or pursuant to Form S-3.

4.6. **Registration Rights**.

4.6.1. Required Registration. FivePrime shall use its best efforts (i) to file with the SEC, no later than *** after the Effective Date, at its expense, a registration statement on Form S-3 pursuant to Rule 415 promulgated under the Securities Act, to affect the registration of the Shares under applicable federal securities laws in order to permit the sale or other disposition of the Shares on a continuous basis and (ii) cause such registration statement to become effective no later than *** after the date of such filing, provided that such registration statement is not reviewed by the SEC, or *** after such filing if such registration statement is reviewed by the SEC. As a condition to the inclusion of the Shares on any registration statement, Inhibrx shall furnish to FivePrime such information regarding Inhibrx and the distribution proposed by Inhibrx as FivePrime may reasonably request in writing, including completing a registration statement questionnaire in the form provided by FivePrime.

4.6.2. "Piggy Back" Registration. If, within *** after the Effective Date, FivePrime shall determine to register under the Securities Act, any of its Common Stock, other than on Form S 8 or its then equivalent or in connection with any transaction conducted pursuant to Rule 145 promulgated under the Securities Act, it shall send to Inhibrx written notice of such determination and, if within *** after receipt of such notice, Inhibrx shall so request in writing, FivePrime shall use its best efforts to include in such registration statement all of the Shares, provided, however, that if, in connection with any offering involving an underwriting of Common Stock to be issued by FivePrime, the managing underwriter shall impose a limitation on the number of shares of such Common Stock which may be included in any such registration statement because, in its judgment, such limitation is necessary to effect an orderly public distribution, and such limitation is imposed pro rata among holders of such Common Stock having an incidental ("piggy back") right to include such Common Stock in the registration statement according to the amount of such Common Stock which each holder had requested to be included pursuant to such right, then FivePrime shall be obligated to include in such registration statement only such limited portion of the Shares with respect to which Inhibrx has requested inclusion hereunder.

4.6.3. Effectiveness. FivePrime will use its best efforts to maintain the effectiveness for up to *** of any registration statement pursuant to which any of the Shares are being offered (the "Registration Period"), and from time to time will amend or supplement such registration statement and the prospectus contained therein as and to the extent necessary to comply with the Securities Act and any applicable state securities statute or regulation. FivePrime will also provide Inhibrx with as many copies of the prospectus contained in any such registration statement as it may reasonably request. Inhibrx agrees that, upon receipt of any notice from FivePrime of the occurrence of any event requiring the preparation of a supplement or

amendment to a prospectus so that, as thereafter delivered to Inhibrx, such prospectus shall not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, Inhibrx will forthwith discontinue disposition of the Shares pursuant to the registration statement and prospectus until its receipt of copies of the supplemented or amended prospectus from FivePrime. Inhibrx shall suspend, upon request of FivePrime, any disposition of Shares pursuant to any registration statement and prospectus to the extent that the Board of Directors of FivePrime determines in good faith that the sale of Shares under any such registration statement would be reasonably likely to cause a violation of the Securities Act or Exchange Act; provided, however, that in the event that such suspension is for more than three (3) business days, the expiration date of the Registration Period shall be extended by an equal number of days.

4.6.4. Selling Commissions. All selling commissions relating to the sale of securities registered by or on behalf of Inhibrx shall be borne by Inhibrx.

4.6.5. Covenants. Inhibrx hereby covenants with FivePrime (i) not to make any sale of the Shares without effectively causing the prospectus delivery requirements under the Securities Act to be satisfied, and (ii) if such Shares are to be sold by any method or in any transaction other than on a national securities exchange or in the over-the-counter market, in privately negotiated transactions, or in a combination of such methods, to notify FivePrime at least three business days prior to the date on which Inhibrx first offers to sell any such Shares. Inhibrx agrees not to take any action with respect to any distribution deemed to be made pursuant to a Registration Statement which would constitute a violation of Regulation M under the Exchange Act or any other applicable rule, regulation or law. At the end of the Registration Period Inhibrx shall discontinue sales of securities pursuant to any registration statement upon receipt of notice from FivePrime of its intention to remove from registration the Shares covered by any such registration statement which remain unsold, and Inhibrx shall notify FivePrime of the number of Shares registered which remain unsold immediately upon receipt of such notice from FivePrime. For the avoidance of doubt, the foregoing shall not limit the ability of Inhibrx to sell pursuant to Rule 144.

4.6.6. Indemnification of Inhibrx. In the event that FivePrime registers any of the Shares under the Securities Act, FivePrime will indemnify and hold harmless Inhibrx from and against any and all losses, claims, damages, expenses or liabilities to which it becomes subject under the Securities Act or under any other statute or at common law or otherwise, and, except as hereinafter provided, will reimburse Inhibrx for any legal or other expenses reasonably incurred by it in connection with investigating or defending any actions whether or not resulting in any liability,

insofar as such losses, claims, damages, expenses, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the registration statement, in any preliminary or amended preliminary prospectus or in the prospectus (or the registration statement or prospectus as from time to time amended or supplemented by FivePrime) or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein not misleading or any violation by FivePrime of any rule or regulation promulgated under the Securities Act applicable to FivePrime and relating to action or inaction required of FivePrime in connection with such registration, unless such untrue statement or omission was made in such registration statement, preliminary or amended, preliminary prospectus or prospectus in reliance upon and in conformity with information furnished in writing to FivePrime in connection therewith by Inhibrx expressly for use therein provided however, that FivePrime will not be liable in any such case where the losses, claims, damages, expenses or liabilities arise out of or are related to the failure of Inhibrx to comply with the covenants and agreements contained in this Agreement respecting sales of Shares, and except that the foregoing indemnity is subject to the condition that, insofar as it relates to any such untrue statement or alleged untrue statement or omission or alleged omission made in any preliminary prospectus but eliminated or remedied in the amended prospectus on file with the SEC at the time any registration statement becomes effective or in an amended prospectus filed with the SEC pursuant to Rule 424(b) which meets the requirements of Section 10(a) of the Securities Act (each, a "Final Prospectus"), such indemnity shall not inure to the benefit of Inhibrx, if a copy of a Final Prospectus furnished by FivePrime to Inhibrx for delivery was not furnished to the Person asserting the losses, claims, damages, expenses or liabilities at or prior to the time such furnishing is required by the Securities Act and a Final Prospectus would have cured the defect giving rise to such loss, liability, claim or damage. FivePrime shall not be liable to indemnify any person for any settlement of any such action effected without FivePrime's consent, which shall not be unreasonably withheld, delayed or conditioned.

4.6.7. Indemnification Procedure. Promptly after receipt by Inhibrx of notice of the commencement of any action in respect of which indemnity may be sought against FivePrime, Inhibrx will notify FivePrime in writing of the commencement thereof, and, subject to the provisions hereinafter stated, FivePrime shall assume the defense of such action (including the employment of counsel, who shall be counsel reasonably satisfactory to Inhibrx), and the payment of expenses insofar as such action shall relate to any alleged liability in respect of which indemnity may be sought against FivePrime. Inhibrx shall have the right to employ separate counsel in any such action and to participate in the defense thereof but the fees and expenses of such counsel shall not be at the expense of FivePrime unless the

employment of such counsel has been specifically authorized by FivePrime. FivePrime shall not be liable to indemnify any person for any settlement of any such action effected without FivePrime's consent, which shall not be unreasonably withheld, delayed or conditioned.

4.6.8. Indemnification of Company. In the event that FivePrime registers any of the Shares under the Securities Act, Inhibrx will indemnify and hold harmless FivePrime, each of its directors, each of its officers who have signed the registration statement, each underwriter of the shares so registered (including any broker or dealer through whom such of the shares may be sold) and each person, if any, who controls FivePrime within the meaning of Section 15 of the Securities Act from and against any and all losses, claims, damages, expenses or liabilities, joint or several, to which they or any of them may become subject under the Securities Act or under any other statute or at common law or otherwise, and, except as hereinafter provided, will reimburse FivePrime and each such director, officer, underwriter or controlling person for any legal or other expenses reasonably incurred by them or any of them in connection with investigating or defending any actions whether or not resulting in any liability, insofar as such losses, claims, damages, expenses, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the registration statement, in any preliminary or amended preliminary prospectus or in the prospectus (or in the registration statement or prospectus as from time to time amended or supplemented) or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein not misleading, but only insofar as any such statement or omission was made in reliance upon and in conformity with information furnished in writing to FivePrime in connection therewith by Inhibrx expressly for use therein. Promptly after receipt of notice of the commencement of any action in respect of which indemnity may be sought against Inhibrx, FivePrime will notify Inhibrx in writing of the commencement thereof, and Inhibrx shall, subject to the provisions hereinafter stated, assume the defense of such action (including the employment of counsel, who shall be counsel reasonably satisfactory to FivePrime) and the payment of expenses insofar as such action shall relate to the alleged liability in respect of which indemnity may be sought against Inhibrx. FivePrime and each such director, officer, underwriter or controlling person shall have the right to employ separate counsel in any such action and to participate in the defense thereof but the fees and expenses of such counsel shall not be at the expense of Inhibrx unless employment of such counsel has been specifically authorized by Inhibrx. Inhibrx shall not be liable to indemnify any person for any settlement of any such action effected without Inhibrx's consent, which shall not be unreasonably withheld, delayed or conditioned.

5. Conditions to Closing.

5.1. Conditions to Obligations of FivePrime. FivePrime's obligation to complete the transaction and deliver such Shares to Inhibrx is subject to the waiver by FivePrime or fulfillment as of the Closing Date of the following conditions:

5.1.1. Representations and Warranties. The representations and warranties made by Inhibrx in Section 3 shall be true and correct in all material respects as of the Closing Date.

5.1.2. Covenants. All covenants, agreements and conditions contained in this Agreement to be performed by Inhibrx on or prior to the Closing Date shall have been performed or complied with in all material respects.

5.1.3. Nasdaq Qualification. The Shares to be issued shall be duly authorized for listing by Nasdaq, subject to official notice of issuance, to the extent required by the rules of Nasdaq.

5.1.4. Absence of Litigation. No proceeding challenging this Agreement or the transactions contemplated hereby, or seeking to prohibit, alter, prevent or materially delay the Closing, shall have been instituted or be pending before any court, arbitrator, governmental body, agency or official.

5.1.5. No Governmental Prohibition. The sale of the Shares by FivePrime shall not be prohibited by any law or governmental order or regulation.

5.1.6. Consents. FivePrime shall have obtained in a timely fashion any and all consents, permits, approvals, registrations and waivers necessary for consummation of the transaction, all of which shall be and remain so long as necessary in full force and effect.

5.2. Conditions to Inhibrx' Obligations at the Closing. Inhibrx' obligation to complete the purchase and sale of the Shares is subject to the waiver by Inhibrx or fulfillment as of the Closing Date of the following conditions:

5.2.1. Representations and Warranties. The representations and warranties made by FivePrime in Section 2 shall be true and correct in all material respects as of the date when made and as of the Closing Date (except for those representations and warranties that are qualified as to materiality, in which case such representations and warranties shall be true in correct in all respects).

5.2.2. Covenants. All covenants, agreements and conditions contained in this Agreement to be performed by FivePrime on or prior to the Closing Date shall

have been performed or complied with in all material respects.

5.2.3. **Transfer Agent Instructions**. FivePrime shall have delivered to its transfer agent irrevocable instructions to issue to Inhibrx, or in such nominee name(s) as designated by Inhibrx, the Shares or, if requested by Inhibrx, one or more certificates registered in the name of Inhibrx (or a wholly owned subsidiary of Inhibrx) representing such Shares.

5.2.4. **Nasdaq Qualification**. The Shares to be issued shall be duly authorized for listing by Nasdaq, subject to official notice of issuance, to the extent required by the rules of Nasdaq.

5.2.5. **Absence of Litigation**. No proceeding challenging this Agreement or the transactions contemplated hereby, or seeking to prohibit, alter, prevent or materially delay the Closing, shall have been instituted or be pending before any court, arbitrator, governmental body, agency or official.

5.2.6. **No Governmental Prohibition**. The sale of the Shares by FivePrime shall not be prohibited by any law or governmental order or regulation.

5.2.7. **Consents**. FivePrime shall have obtained in a timely fashion any and all consents, permits, approvals, registrations and waivers necessary for consummation of the transaction, all of which shall be and remain so long as necessary in full force and effect.

5.2.8. **No Suspensions of Trading in Common Stock**. The Common Stock shall not have been suspended, as of the Closing Date, by the SEC or Nasdaq from trading on Nasdaq nor shall suspension by the SEC or Nasdaq have been threatened, as of the Closing Date, either (i) in writing by the SEC or Nasdaq or (ii) by falling below the minimum listing maintenance requirements of Nasdaq.

6. Definitions.

6.1. "Agreement" has the meaning set forth in the preamble.

6.2. "Affiliate" means, with respect to any Person (as defined below), any other Person controlling, controlled by or under direct or indirect common control with such Person (for the purposes of this definition "control," when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" shall have meanings correlative to the foregoing).

6.3. "Business Day" means a day Monday through Friday on which banks are generally open for business in New York City.

6.4. "Bylaws" has the meaning set forth in Section 2.3.

6.5. "Closing" has the meaning set forth in Section 1.2.

6.6. "Closing Date" has the meaning set forth in Section 1.2.

6.7. "Collaboration Agreement" has the meaning set forth in the Recitals.

6.8. "Common Stock" has the meaning set forth in the Recitals.

6.9. "Exchange Act" means the Securities Exchange Act of 1934, as amended.

6.10. "Financial Statements" means the balance sheets, the statements of income, changes in shareholders' equity and cash flows of FivePrime included in or incorporated by reference into the SEC Documents (including the related notes and schedules).

6.11. "FivePrime" has the meaning set forth in the Preamble.

6.12. "Inhibrx" has the meaning set forth in the Preamble.

6.13. "Material Adverse Effect" means a material adverse effect on (a) the business, operations, prospects, assets or condition (financial or otherwise) of FivePrime, or (b) the ability of FivePrime to perform in any material respect on a timely basis its obligations pursuant to the transactions contemplated by this Agreement.

6.14. "Material Agreements" has the meaning set forth in Section 2.6.

6.15. "Milestone Payment" has the meaning set forth in the Recitals.

6.16. "Nasdaq" means The Nasdaq Stock Market LLC.

6.17. "Person" means any person, individual, corporation, limited liability company, partnership, trust or other nongovernmental entity or any governmental agency, court, authority or other body (whether foreign, federal, state, local or otherwise).

6.18. "Purchase Price" has the meaning set forth in Section 1.1.

6.19. "SEC" means the United States Securities and Exchange Commission.

6.20. "SEC Documents" has the meaning set forth in Section 2.6.

6.21. "Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar successor statute.

6.22. "Shares" has the meaning set forth in Section 1.1.

6.23. "Trading Day" means any day on which the Common Stock is traded on Nasdaq, or, if Nasdaq is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock is then traded; provided that "Trading Day" shall not include any day on which the Common Stock is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York time).

7. Governing Law; Miscellaneous.

7.1. Applicable Law. This Agreement and all claims relating to or arising out of this Agreement or the breach thereof shall be governed by and construed in accordance with the laws of the state of California without reference to any of its conflict of laws principles.

7.2. Entire Agreement; Amendments. This Agreement (including all schedules and exhibits hereto) constitutes the entire agreement among the Parties with respect to the subject matter hereof and supersedes and cancels all previous express or implied agreements and understandings, negotiations, writings and commitments, either oral or written, in respect of the subject matter hereof. This Agreement may be amended, or any terms hereof modified, only by a written instrument duly executed by authorized representatives of both parties hereto. Any amendment by a party effected in accordance with this Section 7.2 shall be binding upon such party, including with respect to any Shares purchased under this Agreement at the time outstanding and held by such party.

7.3. Notices. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (c) one Business Day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. The addresses for such communications are:

If to FivePrime:	Five Prime Therapeutics, Inc. Two Corporate Drive South San Francisco, CA 94080
With a copy to:	Attention: General Counsel *legal@fiveprime.com*
If to Inhibrx:	INBRX 110 LP 11099 North Torrey Pines Road Suite 280 La Jolla, CA 92037 Attention: President & CEO

Each party will provide ten days' advance written notice to the other parties of any change in its address.

7.4. **Successors and Assigns.** This Agreement is binding upon and inures to the benefit of the parties and their successors and assigns. FivePrime will not assign this Agreement or any rights or obligations hereunder without the prior written consent of Inhibrx; provided, however, that no such consent shall be required in connection with any acquisition of FivePrime or a majority of the outstanding shares of Common Stock or a sale of all or substantially all of the assets of FivePrime, in each case in a single or series of related transactions, or in the case of any other assignment by operation of law. Inhibrx shall not assign this Agreement or any rights or obligations hereunder without the prior written consent of FivePrime. Any attempted assignment not in accordance with this Section 7.4 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 respective successors and permitted assigns.

7.5. **Third Party Beneficiaries.** The parties agree that no provision of this Agreement be for the benefit of, or shall be enforceable by, any third party, including any creditor of either Party.

7.6. **Survival of Representations and Warranties.** Notwithstanding any investigation made by any party to this Agreement, all representations and warranties made by FivePrime and Inhibrx herein shall survive for a period of one (1) year following the Effective Date.

7.7. **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.

7.8. 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.

7.9. 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.

7.10. 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.

7.11. 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.

7.12. 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.

7.13. Certain Conventions. Any reference in this Agreement to a Section, subsection, paragraph or clause shall be deemed to be a reference to a Section, subsection, paragraph or clause, of or to, as the case may be, this Agreement, unless otherwise indicated. Unless the context of this Agreement otherwise requires, (a) words of any gender include each other gender, (b) 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, (c) words using the singular shall include the plural, and vice versa, (d) references to “day” mean calendar days, (e) 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 (f) 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.

7.14. 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.

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

IN WITNESS WHEREOF, the Parties have caused this Stock Purchase Agreement to be duly executed by their respective authorized signatories as of the Effective Date.

INBRX 110, LP	**Five Prime Therapeutics, Inc.**
By:	By:
Name:	Name: Lewis T. Williams
Title:	Title: President and Chief Executive Officer

***** 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.**

Exhibit A

Purchase Price Calculation[1]

[1] NTD: The purchase price is based on the weighted-average closing price for the prior *** from the date of FivePrime's achievement of the applicable milestone.

***** 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.**

Exhibit E

Press Release

***** 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.**

Five Prime Therapeutics Establishes Strategic Research Collaboration and License Agreement with Inhibrx for Novel GITR Antibodies

- *Inhibrx's technology may offer best-in-class approach for agonist antibodies*
- *New program further expands Five Prime's immuno-oncology pipeline and potential for combination therapies*

SOUTH SAN FRANCISCO, Calif., and LA JOLLA, Calif., July XX, 2015 (GLOBE NEWSWIRE) -- Five Prime Therapeutics, Inc. (Nasdaq: FPRX) (Five Prime), a clinical-stage biotechnology company focused on discovering and developing novel protein therapeutics for cancer and inflammatory diseases, today announced a strategic research collaboration and license agreement with Inhibrx for Inhibrx's novel glucocorticoid-induced tumor necrosis factor receptor (GITR) antibody program, which is currently at lead selection stage.

Leveraging its comprehensive protein library and proprietary in vivo screening technologies, Five Prime identified GITR as one of the most potent inhibitors of tumor growth. GITR is an immune checkpoint protein that is selectively expressed on effector T cells and T regulatory cells (Tregs), and is believed to activate an immune response against tumor cells. In preclinical studies, agonist antibodies have demonstrated the ability to induce tumor regressions, particularly when administered in combination with other immuno-oncology therapies.

Inhibrx's technology offers a novel, potentially best-in-class approach for engineering a GITR antibody with the desired properties aimed at maximizing safety, efficacy and combinability with other therapies. Inhibrx's multivalent antibody scaffolds are designed to multimerize and activate GITR independent of Fc binding. This is in contrast to conventional GITR antibodies, where efficacy is dependent upon binding and the presence of Fc-receptor bearing cells and may vary due to Fc receptor polymorphisms and be dampened by competing serum IgG.

Under the terms of the agreement, Five Prime will pay Inhibrx a $10 million license fee in return for exclusive, worldwide therapeutic and diagnostic rights to antibodies provided by Inhibrx that bind to GITR, as well as an option to license multi-specific antibodies that bind to GITR and other targets. Inhibrx is eligible to receive up to $342.5 million in development, regulatory and commercial milestone payments per therapeutic product, or up to $442.5 million in development, regulatory and commercial milestone payments if the U.S. Food and Drug Administration grants a Breakthrough Therapy Designation to such therapeutic product. Milestone payments for development,

regulatory and first commercial sale events may be paid in cash or in Five Prime common stock at Five Prime's discretion. Inhibrx is also eligible for low double-digit tiered royalties on future product sales.

"Five Prime is actively pursuing a comprehensive approach to immuno-oncology by identifying pipeline candidates with the potential to work independently or in combination to target macrophages, immune check points, T cell agonist pathways and Treg cells. Comparing across many potential targets, our platform pointed to GITR as an ideal agonist to expand our portfolio," said Lewis "Rusty" T. Williams, M.D., Ph.D., chief executive officer & president of Five Prime. "Inhibrx's antibody technology is uniquely suited to activate GITR and enhance the immune response against the tumor. We believe this program has the potential to create a differentiated, next-generation GITR agonist that may have broad therapeutic application as a monotherapy or in combination with approved checkpoint inhibitors or other therapies, including products in our pipeline."

"We believe Five Prime's insights into GITR biology and their scientific and clinical translation capabilities make them the optimal partner for our GITR program," said Mark Lappe, CEO of Inhibrx. "They share our commitment to bring therapeutics to patients in need as quickly as possible and we are excited to be collaborating with them."

Five Prime intends to provide updated cash guidance when it reports its second quarter 2015 financial results.

About Five Prime
Five Prime Therapeutics, Inc. discovers and develops innovative therapeutics to improve the lives of patients with serious diseases. Five Prime's comprehensive discovery platform, which encompasses virtually every medically relevant extracellular protein, positions it to explore pathways in cancer, inflammation and their intersection in immuno-oncology, an area with significant therapeutic potential and a growing focus of the company's R&D activities. Five Prime has entered into strategic collaborations with leading global pharmaceutical companies and has promising product candidates in clinical and late preclinical development. For more information, please visit www.fiveprime.com.

About Inhibrx
Inhibrx is a biologic immunotherapeutic company focused on the treatment of high unmet medical needs in oncology, infectious disease and inflammatory conditions. Inhibrx's proprietary platforms enable fit-for-function biotherapeutics that optimally interface with the biology of each target antigen, focus immune activation and mediate enhanced signaling. Inhibrx's programs are based on comprehensive target discovery and selection expertise coupled with the creative implementation of multiple antibody and biologic development strategies. Inhibrx has numerous immuno-oncology

therapeutics in development including a highly differentiated CD47 antibody, licensed by Celgene, which entered clinical studies in early 2015. For more information visit www.inhibrx.com.

Cautionary Note on Forward-looking Statements
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 Five Prime's potential receipt of upfront and milestone payments and royalties. 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" contained therein. 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.

CONTACT:

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Amy Kendall, Corporate Communications

415-365-5776

amy.kendall@fiveprime.com

Inhibrx

Mark Lappe, President & CEO

858-759-1499

mark@inhibrx.com

Exhibit 31.1

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

I, Lewis T. Williams, 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(s) 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 internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the 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; and

5. The registrant's other certifying officer(s) 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.

Date: November 5, 2015

/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, 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(s) 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 internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the 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; and

5. The registrant's other certifying officer(s) 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.

Date: November 5, 2015

/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 September 30, 2015, 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: November 5, 2015

/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 September 30, 2015, 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: November 5, 2015

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