

INTERCEPT PHARMACEUTICALS INC  
Form DEF 14A  
June 20, 2016

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

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

Filed by the Registrant  x  
Filed by a Party other than the Registrant  o  
Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material under Rule 14a-12

**Intercept Pharmaceuticals, Inc.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

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

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing:

1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing party:

4) Date Filed:

---

TABLE OF CONTENTS

June 20, 2016

To Our Stockholders:

We are pleased to invite you to attend the 2016 Annual Meeting of Stockholders of Intercept Pharmaceuticals, Inc., which will be held on Tuesday, July 19, 2016, at 9:00 a.m. Eastern Time, at Intercept's corporate headquarters, located at 450 West 15<sup>th</sup> Street, Suite 505, New York, NY 10011.

Details regarding the meeting, the business to be conducted at the meeting and information about Intercept that you should consider when you vote your shares are described in this proxy statement.

The board of directors recommends the approval of each of Proposals 1, 2, 3 and 4 as set forth in the proxy statement.

We hope you will be able to attend the annual meeting. Whether you plan to attend the annual meeting or not, it is important that you cast your vote either in person or by proxy. You may vote over the internet as well as by mail. After you have finished reading the proxy statement, we urge you to vote in accordance with the instructions set forth in this proxy statement. We encourage you to vote by proxy so that your shares will be represented and voted at the meeting, whether or not you can attend.

Thank you for your continued support of Intercept. We look forward to seeing you at the annual meeting.

Sincerely,

Mark Pruzanski, M.D.  
President and Chief Executive Officer

---

TABLE OF CONTENTS

**Intercept Pharmaceuticals, Inc.  
450 West 15<sup>th</sup> Street, Suite 505  
New York, NY 10011**

June 20, 2016

**NOTICE OF 2016 ANNUAL MEETING OF  
STOCKHOLDERS**

TIME: 9:00 a. m. Eastern Time

DATE: Tuesday, July 19, 2016

PLACE: Intercept's Corporate Headquarters, 450 West 15<sup>th</sup> Street, Suite 505, New York, NY 10011

PURPOSES:

1. To elect nine directors, to serve one-year terms, expiring at the next annual meeting of stockholders in 2017;
2. To amend Intercept's certificate of incorporation to increase the number of authorized shares of common stock from 35,000,000 shares to 45,000,000 shares;
3. To approve, on a non-binding advisory basis, the compensation of our named executive officers;
4. To ratify the appointment of KPMG LLP as Intercept's independent registered public accounting firm for the fiscal year ending December 31, 2016; and
5. To transact such other business that is properly presented at the annual meeting and any adjournments or postponements thereof.

WHO MAY VOTE:

You may vote if you were the record holder of Intercept common stock at the close of business on May 23, 2016. A list of stockholders of record will be available at the annual meeting and, during the ten days prior to the annual meeting, at our principal executive offices located at 450 West 15<sup>th</sup> Street, Suite 505, New York, NY 10011.

All stockholders of record on the record date are cordially invited to attend the annual meeting. **Whether you plan to attend the annual meeting or not, we urge you to vote and submit your proxy via the internet or by mail in order to ensure that your shares are represented and voted at the annual meeting.** You may change or revoke your proxy at any time before it is voted at the meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Bryan Yoon  
Corporate Secretary

---

TABLE OF CONTENTS

**TABLE OF CONTENTS**

	Page
<u>IMPORTANT INFORMATION ABOUT THE ANNUAL MEETING AND VOTING</u>	<u>3</u>
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	<u>8</u>
<u>MANAGEMENT AND CORPORATE GOVERNANCE</u>	<u>11</u>
<u>EXECUTIVE OFFICER AND DIRECTOR COMPENSATION</u>	<u>24</u>
<u>REPORT OF AUDIT COMMITTEE</u>	<u>49</u>
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	<u>50</u>
<u>CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS</u>	<u>50</u>
<u>ELECTION OF DIRECTORS</u>	<u>52</u>
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>56</u>
<u>CODE OF CONDUCT AND ETHICS</u>	<u>58</u>
<u>OTHER MATTERS</u>	<u>58</u>
<u>STOCKHOLDER PROPOSALS AND NOMINATIONS FOR DIRECTOR</u>	<u>58</u>

i

---

TABLE OF CONTENTS

**Intercept Pharmaceuticals, Inc.  
450 West 15<sup>th</sup> Street, Suite 505  
New York, NY 10011**

**PROXY STATEMENT FOR THE INTERCEPT  
PHARMACEUTICALS, INC.  
2016 ANNUAL MEETING OF STOCKHOLDERS TO BE  
HELD ON JULY 19, 2016**

This proxy statement, along with the accompanying notice of 2016 annual meeting of stockholders, contains information about the 2016 annual meeting of stockholders of Intercept Pharmaceuticals, Inc., including any adjournments or postponements of the annual meeting. We are holding the annual meeting at 9:00 a.m., Eastern Time, on Tuesday, July 19, 2016, at our corporate headquarters located at 450 West 15<sup>th</sup> Street, Suite 505, New York, NY 10011.

In this proxy statement, we refer to Intercept Pharmaceuticals, Inc. as Intercept, the Company, we and us.

This proxy statement relates to the solicitation of proxies by our board of directors for use at the annual meeting.

On or about June 20, 2016, we began sending this proxy statement, the attached Notice of Annual Meeting of Stockholders and the enclosed proxy card to all stockholders entitled to vote at the annual meeting.

Although not part of this proxy statement, we are also sending, along with this proxy statement, our 2015 annual report on Form 10-K, which includes our financial statements for the fiscal year ended December 31, 2015, along with the amendment to our annual report on Form 10-K/A.

TABLE OF CONTENTS

# **IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON JULY 19, 2016**

This proxy statement and our 2015 annual report on Form 10-K, together with the amendment to our 2015 annual report on Form 10-K/A, are available for viewing, printing and downloading at <http://www.interceptpharma.com/proxy.html>. On this website, record holders can also elect to receive future distributions of our proxy statements and annual reports to stockholders by electronic delivery.

Additionally, you can find a copy of our annual report on Form 10-K, which includes our financial statements, for the fiscal year ended December 31, 2015, along with the amendment to our annual report on Form 10-K/A, on the website of the Securities and Exchange Commission, or the SEC, at [www.sec.gov](http://www.sec.gov), or in the Financial Information section of the Investors section of our website at [www.interceptpharma.com](http://www.interceptpharma.com). You may also obtain a printed copy of our annual report on Form 10-K, including our financial statements, along with the amendment to our annual report on Form 10-K/A, free of charge, from us by sending a written request to: Intercept Pharmaceuticals, Inc., 450 West 15<sup>th</sup> Street, Suite 505, New York, NY 10011, Attn: Corporate Secretary. Exhibits will be provided upon written request and payment of an appropriate processing fee.

TABLE OF CONTENTS

# IMPORTANT INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

## Why is the Company Soliciting My Proxy?

The board of directors of Intercept is soliciting your proxy to vote at the 2016 annual meeting of stockholders to be held at our corporate headquarters, located at 450 West 15<sup>th</sup> Street, Suite 505, New York, NY 10011, on Tuesday, July 19, 2016, at 9:00 a.m. Eastern Time and any adjournments of the meeting, which we refer to as the annual meeting.

The proxy statement along with the accompanying Notice of Annual Meeting of Stockholders summarizes the purposes of the meeting and the information you need to know to vote at the annual meeting.

We have made available to you on the internet or have sent you this proxy statement, the Notice of Annual Meeting of Stockholders, the proxy card and a copy of our annual report on Form 10-K for the fiscal year ended December 31, 2015, along with a copy of the amendment to our annual report on Form 10-K/A, because you owned shares of Intercept common stock on the record date. The Company intends to commence distribution of the proxy materials to stockholders on or about June 20, 2016.

## Who Can Vote?

Only stockholders who owned our common stock at the close of business on May 23, 2016 are entitled to vote at the annual meeting. On this record date, there were 24,600,161 shares of our common stock outstanding and entitled to vote. Our common stock is our only class of voting stock.

## How Many Votes Do I Have?

Each share of our common stock that you own entitles you to one vote.

## How Do I Vote?

Whether you plan to attend the annual meeting or not, we urge you to vote by proxy. All shares represented by valid proxies that we receive through this solicitation, and that are not revoked, will be voted in accordance with your instructions on the proxy card or as instructed via the internet. If you properly submit a proxy without giving specific voting instructions, your shares will be voted in accordance with the board's recommendations as noted below. Voting by proxy will not affect your right to attend the annual meeting. For instructions on how to change or revoke your proxy, see "May I Change or Revoke My Proxy?" below. If your shares are registered directly in your name through our stock transfer agent, VStock Transfer, LLC, or if you have stock certificates registered in your name, you may vote by any of the following methods:

**By internet.** Go to <http://www.interceptpharma.com/proxy.html>. Follow the instructions included in the proxy card to vote by internet.

**By mail.** You can vote by mail by completing, signing, dating and returning the proxy card as instructed on the card. If you sign the proxy card but do not specify how you want your shares voted, they will be voted in accordance with the board's recommendations as noted below.



**In person at the meeting.** If you attend the meeting, you may deliver a completed proxy card in person or you may vote by completing a ballot, which will be available at the meeting.

**Internet voting facilities for stockholders of record will be available 24 hours a day and will close at 11:59 p.m. Eastern Time on July 18, 2016.**

If your shares are held in street name (held in the name of a bank, broker or other holder of record), you will receive instructions from the holder of record. You must follow the instructions of the holder of record in order for your shares to be voted. Internet voting also will be offered to stockholders owning shares through certain banks and brokers. If your shares are not registered in your own name and you plan to vote your shares in person at the annual meeting, you should contact your broker or agent to obtain a legal proxy or broker's proxy card and bring it to the annual meeting in order to vote.

TABLE OF CONTENTS

## How Does the Board of Directors Recommend That I Vote on the Proposals?

The board of directors recommends that you vote as follows:

**FOR** the election of the listed nominees for directors;

**FOR** the amendment to our Restated Certificate of Incorporation to increase the authorized number of shares of common stock from 35,000,000 to 45,000,000;

**FOR** approval, on a non-binding advisory basis, of the executive compensation of our Named Executive Officers as described in this proxy statement; and

**FOR** the ratification of the selection of KPMG LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2016.

If any other matter is presented at the annual meeting, your proxy provides that your shares will be voted by the proxy holder listed in the proxy in accordance with his or her best judgment.

## May I Change or Revoke My Proxy?

If you give us your proxy, you may change or revoke it at any time before the annual meeting. You may change or revoke your proxy in any one of the following ways:

if you received a proxy card, by signing a new proxy card with a date later than your previously delivered proxy and submitting it as instructed above;

by re-voting by internet as instructed above;

by notifying Intercept's Corporate Secretary in writing before the annual meeting that you have revoked your proxy; or by attending the annual meeting in person and voting in person. Attending the annual meeting in person will not in and of itself revoke a previously submitted proxy. You must specifically request at the annual meeting that it be revoked.

Your most current vote, whether by internet or proxy card is the one that will be counted.

## What if I Receive More Than One Proxy Card?

You may receive more than one proxy card if you hold shares of our common stock in more than one account, which may be in registered form or held in street name. Please vote in the manner described above under How Do I Vote? for each account to ensure that all of your shares are voted.

## Will My Shares be Voted if I Do Not Vote?

If your shares are registered in your name or if you have stock certificates, they will not be counted if you do not vote as described above under How Do I Vote?

Generally, broker non-votes occur when shares held by a broker in street name for a beneficial owner are not voted with respect to a particular proposal because (1) the broker has not received voting instructions from the beneficial owner and (2) the broker lacks discretionary voting power to vote those shares. Under applicable stock exchange rules, if you do not give instructions to your brokerage firm subject to these rules, it will still be able to vote your shares with respect to certain discretionary items, but will not be allowed to vote your shares with respect to certain

non-discretionary items. A broker is entitled to vote shares held for a beneficial owner on routine matters, such as the adoption of an amendment to the certificate of incorporation to increase the number of authorized shares of common stock (Proposal 2) and the ratification of the appointment of independent auditors (Proposal 4), without instructions from the beneficial owner of those shares. On the other hand, a broker may not be entitled to vote shares held for a beneficial owner on certain non-routine items, such as the election of directors, absent instructions from the beneficial owner of such shares. Broker non-votes count for purposes of determining whether a quorum exists but do not count as entitled to vote with respect to individual proposals.

## TABLE OF CONTENTS

The election of directors (Proposal 1) and the non-binding advisory vote on executive compensation, or say-on-pay vote (Proposal 3), are both non-discretionary items, meaning that if you do not instruct your brokerage firm on how to vote with respect to any of these proposals, your brokerage firm will not vote with respect to that proposal and your shares will be counted as broker non-votes. If your shares are held in street name and you do not provide voting instructions to the bank, broker or other nominee that holds your shares as described above, the bank, broker or other nominee that holds your shares has the authority to vote your unvoted shares only on the ratification of the appointment of our independent registered public accounting firm (Proposal 3) without receiving instructions from you, because this is considered a discretionary item.

For any proposals requiring the affirmative vote of those shares present and entitled to vote, broker non-votes will not affect the outcome of the vote. Because the approval of Proposal 2 requires the affirmative vote of a majority of all outstanding shares, broker non-votes have the same effect as a vote AGAINST that proposal.

Therefore, we encourage you to provide voting instructions to your bank, broker or other designee. This ensures your shares will be voted at the annual meeting and in the manner you desire.

## **What Vote is Required to Approve Each Proposal and How are Votes Counted?**

### Proposal 1: Elect Directors

The nominees for director who receive the most votes (also known as a plurality of the votes cast) will be elected. You may vote FOR all of the nominees, to WITHHOLD your vote from all of the nominees or to WITHHOLD your vote from any one or more of the nominees. Votes that are withheld will not be included in the vote tally for the election of the directors.

### Proposal 2: Amend Restated Certificate of Incorporation to Increase Authorized Shares

The affirmative vote of a majority of the shares of our common stock outstanding and entitled to vote at the annual meeting is required to approve the amendment to our Restated Certificate of Incorporation to increase the number of authorized shares of common stock from 35,000,000 to 45,000,000. Abstentions will have the same effect as an against vote. Brokerage firms have authority to vote customers non-voted shares held by the firms in street name on this proposal. If a broker does not exercise this authority, such broker non-votes will have the same effect as an against vote.

### Proposal 3: Advisory Vote to Approve Executive Compensation, or Say-on-Pay

The affirmative vote of a majority of the shares cast affirmatively or negatively for this proposal is required to approve, on an advisory basis, the compensation of our named executive officers, as described in this proxy statement. Abstentions will have no effect on the results of this vote. Although the advisory vote is non-binding, the compensation committee and the board of directors will review the voting results and take them into consideration when making future decisions regarding executive compensation.

## TABLE OF CONTENTS

### Proposal 4: Ratify

### Appointment of Independent Registered Public Accounting Firm

The affirmative vote of a majority of the shares cast affirmatively or negatively for this proposal is required to ratify the selection of our independent registered public accounting firm. Abstentions will have no effect on the results of this vote. Brokerage firms have authority to vote customers' unvoted shares held by the firms in street name on this proposal. If a broker does not exercise this authority, such broker non-votes will have no effect on the results of this vote. We are not required to obtain the approval of our stockholders to select our independent registered public accounting firm. However, if our stockholders do not ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2016, our audit committee of our board of directors will reconsider its appointment.

## **Is Voting Confidential?**

We will keep all the proxies, ballots and voting tabulations private. We only let our Inspector of Election, VStock Transfer, LLC, examine these documents. Management will not know how you voted on a specific proposal unless it is necessary to meet legal requirements. We will, however, forward to management any written comments you provide on the proxy card or through other means.

## **Where can I find the voting results of the Annual Meeting?**

The preliminary voting results will be announced at the annual meeting, and we will publish preliminary, or final results if available, in a Current Report on Form 8-K within four business days of the annual meeting. If final results are unavailable at the time we file the Form 8-K, then we will file an amended report on Form 8-K to disclose the final voting results within four business days after the final voting results are known.

## **What Are the Costs of Soliciting these Proxies?**

We will pay all of the costs of soliciting these proxies. Our directors and employees may solicit proxies in person or by telephone, fax or email. We will pay these employees and directors no additional compensation for these services. We will ask banks, brokers and other institutions, nominees and fiduciaries to forward these proxy materials to their principals and to obtain authority to execute proxies. We will then reimburse them for their expenses.

## **What Constitutes a Quorum for the Annual Meeting?**

The presence, in person or by proxy, of the holders of a majority of the voting power of all outstanding shares of our common stock entitled to vote at the annual meeting is necessary to constitute a quorum at the annual meeting. Votes of stockholders of record who are present at the annual meeting in person or by proxy, abstentions, and broker non-votes are counted for purposes of determining whether a quorum exists.

## **Attending the Annual Meeting**

The annual meeting will be held at 9:00 a.m. Eastern Time on Tuesday, July 19, 2016 at our corporate headquarters, located at 450 West 15<sup>th</sup> Street, Suite 505, New York, NY 10011. You need not attend the annual meeting in order to

vote.

## Householding of Annual Disclosure Documents

SEC rules concerning the delivery of annual disclosure documents allow us or your broker to send a single set of our proxy materials to any household at which two or more of our stockholders reside, if we or your broker believe that the stockholders are members of the same family. This practice, referred to as householding, benefits both you and us. It reduces the volume of duplicate information received at your household and helps to reduce our expenses. The rule applies to our annual reports, proxy statements and information statements. Once you receive notice from your broker or from us that communications to your address will be household, the practice will continue until you are otherwise notified or until you revoke your consent to the practice. Stockholders who participate in householding will continue to have access to and utilize separate proxy voting instructions.

6

---

TABLE OF CONTENTS

If your household received a single set of proxy materials this year, but you would prefer to receive your own copy, please contact our transfer agent, VStock Transfer, LLC, by calling their toll free number, 1-855-9VSTOCK.

If you do not wish to participate in householding and would like to receive your own set of Intercept's proxy materials in future years, follow the instructions described below. Conversely, if you share an address with another Intercept stockholder and together both of you would like to receive only a single set of proxy materials, follow these instructions:

If your Intercept shares are registered in your own name, please contact our transfer agent, VStock Transfer, LLC, and inform them of your request by calling them at 1-855-9VSTOCK or writing them at 18 Lafayette Place, Woodmere, New York 11598.

If a broker or other nominee holds your Intercept shares, please contact the broker or other nominee directly and inform them of your request. Be sure to include your name, the name of your brokerage firm and your account number.

## **Electronic Delivery of Company Stockholder Communications**

Most stockholders can elect to view or receive copies of future proxy materials over the internet instead of receiving paper copies in the mail.

You can choose this option and save us the cost of producing and mailing these documents by going to <http://www.interceptpharma.com/proxy.html> and following the instructions relating to the electronic delivery of proxy materials.

TABLE OF CONTENTS

# SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of our common stock as of May 23, 2016, by:

our executive officers named in the Summary Compensation Table;

each of our directors and director nominees;

all of our current directors and executive officers as a group; and

each stockholder known by us to own beneficially more than five percent of our common stock.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. Shares of common stock that may be acquired by an individual or group within 60 days of May 23, 2016, pursuant to derivative securities, such as options, warrants or restricted stock units, are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to

be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

Percentage of ownership is based on an aggregate of 24,600,161 shares of common stock outstanding as of May 23, 2016.

Except as indicated in footnotes to this table, we believe that the stockholders named in this table have sole voting and investment power with respect to all shares of common stock shown to be beneficially owned by them, based on information provided to us by such stockholders. Unless otherwise indicated, the address for each director, director nominee and executive officer is: c/o Intercept Pharmaceuticals, Inc., 450 West 15<sup>th</sup> Street, Suite 505, New York, NY 10011.

Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percentage of Common Stock Beneficially Owned	
Directors, Director Nominees and Executive Officers			
Mark Pruzanski, M.D. <sup>(1)</sup>	844,383	3.4	%
David Shapiro, M.D. <sup>(2)</sup>	87,647		*
Barbara Duncan <sup>(3)</sup>	97,471		*
Rachel McMinn, Ph.D. <sup>(4)</sup>	22,930		*
Lisa Bright <sup>(5)</sup>	30,910		*
Srinivas Akkaraju, M.D., Ph.D. <sup>(6)</sup>	18,546		*
Luca Benatti, Ph.D. <sup>(7)</sup>	4,059		*
Paolo Fundaro <sup>(8)</sup>	19,625		*
Gino Santini <sup>(9)</sup>	2,467		*
Glenn Sblendorio <sup>(10)</sup>	3,219		*
Jonathan Silverstein <sup>(11)</sup>	1,136,910	4.6	%
Klaus Veitinger, M.D., Ph.D. <sup>(12)</sup>	12,793		*
Daniel Welch <sup>(13)</sup>	2,467		*
All current executive officers, directors and director nominees as a group (13 persons) <sup>(14)</sup>	2,283,427	9.2	%



Daniel Bradbury			
Keith Gottesdiener, M.D.			
Five Percent Stockholders			
Genextra S.p.A. <sup>(15)</sup>	6,454,953	26.2	%
FMR LLC <sup>(16)</sup>	3,649,728	14.8	%
Carmignac Gestion <sup>(17)</sup>	1,319,887	5.4	%
Capital World Investors <sup>(18)</sup>	1,567,537	6.4	%
Ameriprise Financial, Inc. <sup>(19)</sup>	2,863,068	11.6	%

\* Represents beneficial ownership of less than 1% of the shares of common stock.  
Does not include our incoming chief financial officer, Sandip Kapadia.

8

---

TABLE OF CONTENTS

(1) Consists of 546,804 shares of common stock (including 35,737 shares underlying unvested restricted stock awards with voting rights) and options to purchase 297,579 shares of common stock that are exercisable within 60 days of May 23, 2016.

(2) Consists of 47,984 shares of common stock (including 11,999 shares underlying unvested restricted stock awards with voting rights) and options to purchase 39,663 shares of common stock that are exercisable within 60 days of May 23, 2016.

(3) Consists of 30,386 shares of common stock (including 9,642 shares underlying unvested restricted stock awards with voting rights) and options to purchase 67,085 shares of common stock that are exercisable within 60 days of May 23, 2016.

(4) Consists of 14,087 shares of common stock (including 11,945 shares underlying unvested restricted stock awards with voting rights) and options to purchase 8,843 shares of common stock that are exercisable within 60 days of May 23, 2016.

(5) Consists of 19,106 shares of common stock (including 17,141 shares underlying unvested restricted stock awards with voting rights) and options to purchase 11,804 shares of common stock that are exercisable within 60 days of May 23, 2016.

(6) Consists of 12,042 shares of common stock (including 650 shares underlying unvested restricted stock awards with voting rights) and options to purchase 6,504 shares of common stock that are exercisable within 60 days of May 23, 2016.

(7) Consists of 1,942 shares of common stock (including 951 shares underlying unvested restricted stock awards with voting rights) and options to purchase 2,117 shares of common stock that are exercisable within 60 days of May 23, 2016.

(8) Consists of 8,871 shares of common stock (including 650 shares underlying restricted stock awards with voting rights) and options to purchase 10,754 shares of common stock that are exercisable within 60 days of May 23, 2016.

(9) Consists of 1,300 shares of common stock (including 1,300 shares underlying restricted stock awards with voting rights) and options to purchase 1,167 shares of common stock that are exercisable within 60 days of May 23, 2016.

(10) Consists of 1,102 shares of common stock (including 951 shares underlying unvested restricted stock awards with voting rights) and options to purchase 2,117 shares of common stock that are exercisable within 60 days of May 23, 2016.

(11) Consists of (a) 1,120,324 shares of common stock owned by OrbiMed Private Investments IV, LP and (b) 1,259 shares of common stock (including 650 shares underlying unvested restricted stock awards with voting rights) and options to purchase 15,327 shares of common stock that are exercisable within 60 days of May 23, 2016 that are held directly by Mr. Silverstein. Mr. Silverstein disclaims beneficial ownership of the shares owned by OrbiMed Private Investments IV, LP, except to the extent of his pecuniary interest therein, if any. OrbiMed Capital GP IV LLC is the general partner of OrbiMed Private Investments IV, LP and OrbiMed Advisors LLC is the managing member of OrbiMed Capital GP IV LLC. Samuel D. Isaly is the managing member of and owner of a controlling interest in OrbiMed Advisors LLC and may be deemed to have voting and investment power over the shares held by OrbiMed Private Investments IV, LP noted above. Each of OrbiMed Capital GP IV LLC, OrbiMed Advisors LLC and Mr. Isaly disclaims beneficial ownership of such shares, except to the extent of its or his pecuniary interest therein, if any. Mr. Silverstein is a member of OrbiMed Advisors LLC and is obligated to transfer any shares issued under any equity grants made to him to OrbiMed Advisors LLC and certain of its related entities. The address for OrbiMed Private Investments IV, LP is c/o OrbiMed Advisors LLC, 601 Lexington Avenue, 54<sup>th</sup> Floor, New York, NY 10022.

(12) Consists of 2,816 shares of common stock (including 650 shares underlying unvested restricted stock awards with voting rights) and options to purchase 9,977 shares of common stock that are exercisable within 60 days of May 23, 2016.

(13) Consists of 1,300 shares of common stock (including 1,300 shares underlying restricted stock awards with voting rights) and options to purchase 1,167 shares of common stock that are exercisable within 60 days of May 23,

2016.

Consists of (a) 1,809,323 shares of common stock beneficially owned by our officers, directors and director (14) nominees as of, or will vest within 60 days of, May 23, 2016 (including 93,566 shares underlying unvested restricted stock awards with voting rights) and (b) options to purchase

9

---

TABLE OF CONTENTS

474,104 shares of common stock beneficially owned by our officers, directors and director nominees which are exercisable within 60 days of May 23, 2016.

Represents shares of common stock owned by Genextra S.p.A. Francesco Micheli is the executive director of Genextra S.p.A. and, in such capacity, Mr. Micheli exercises voting control over the shares of common stock owned by Genextra S.p.A. and investment control over such shares as authorized by the board of directors of

(15) Genextra S.p.A. Mr. Micheli disclaims beneficial ownership with respect to any such shares, except to the extent of his pecuniary interest therein, if any. The address of each of Genextra S.p.A. and its affiliates is Via G. De Grassi, 11, 20123 Milan, Italy. Information relating to Mr. Micheli is based on Amendment No. 2 to Schedule 13G/A of Genextra S.p.A. filed with the SEC on February 17, 2015.

Based on information supplied by FMR LLC on Schedule 13G/A filed with the SEC on February 12, 2016.

Abigail P. Johnson is a Director, the Vice Chairman, the Chief Executive Officer and the President of FMR LLC. Members of the Johnson family, including Abigail P. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the

(16) shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act ( Fidelity Funds ) advised by Fidelity Management & Research Company ( FMR Co ), a wholly owned subsidiary of FMR LLC, which power resides with the Fidelity Funds Boards of Trustees. Fidelity Management & Research Company carries out the voting of the shares under written guidelines established by the Fidelity Funds' Boards of Trustees. The address of FMR LLC and its affiliates is 245 Summer Street, Boston, Massachusetts 02210.

Carmignac Gestion is an investment adviser organized under the laws of France with its address at 24 Place

(17) Vendome, Paris, France 75001. Information relating to Carmignac Gestion is based on its Schedule 13G/A filed with the SEC on February 9, 2016.

Based on information supplied by Capital World Investors on Schedule 13G filed with the SEC on February 12, 2016. Capital World Investors is a division of Capital Research and Management Company (CRMC). Capital

(18) World Investors is deemed to be the beneficial owner of 1,567,537 shares of common stock as a result of CRMC acting as an investment advisor to various investment companies under Section 8 of the Investment Company Act of 1940. The address of Capital World Investors is 333 South Hope St., Los Angeles, CA 90071.

Based on information supplied by Ameriprise Financial, Inc. on Schedule 13G filed with the SEC on January 8, 2016. Ameriprise Financial, Inc. ( AFI ), is the parent holding company of Columbia Management Investment Advisors, LLC ( CMIA ), an investment advisor in accordance with Rule 13d-1(b)(1)(ii)(E) of the SEC. CMIA is the investment advisor to Columbia Select Large Cap Growth Fund (the Fund ), an investment company in accordance with Rule 13d-1(b)(1)(ii)(D) of the SEC. CMIA and AFI do not directly own the shares of common

(19) stock. As the investment advisor to the Fund and various other unregistered and registered investment companies and other managed accounts, CMIA may be deemed to beneficially own the shares reported by the Fund.

Accordingly, the shares reported by CMIA include those shares separately reported by the Fund. As the parent holding company of CMIA, AFI may be deemed to beneficially own the shares reported by CMIA. Accordingly, the shares reported by AFI include those shares separately reported by CMIA. The address of AFI is 145 Ameriprise Financial Center, Minneapolis MN 55474.

TABLE OF CONTENTS**MANAGEMENT AND CORPORATE GOVERNANCE****The Board of Directors**

Each of our directors are elected annually and hold office until their successors are duly elected and qualified or until the earlier of their death, resignation or removal. Our board of directors currently consists of nine members, all of whom were elected as directors at our 2015 Annual Meeting of Stockholders. Jonathan Silverstein and Klaus Veitinger will not stand for re-election to our board of directors. The board of directors, upon the recommendation of the nominating and governance committee, has nominated Daniel Bradbury and Keith Gottesdiener, M.D. to be newly elected as a members of our board at the 2016 Annual Meeting of Stockholders.

Our restated certificate of incorporation and our restated bylaws provide that the authorized number of directors may be changed only by resolution of the board of directors. Our restated bylaws also provide that our directors may be removed with or without cause by the affirmative vote of the holders of a majority of the votes that all our stockholders would be entitled to cast in an annual election of directors, and our restated certificate of incorporation and amended and restated bylaws provide that any vacancy on our board of directors, including a vacancy resulting from an increase in the size of our board, may be filled only by vote of a majority of our directors then in office.

Each of the nominees listed below has been nominated by the board, upon the recommendation of the nominating and governance committee, for election or re-election as a director until the Annual Meeting of Stockholders to be held in 2017 and until their respective successors are elected, or until their earlier death, resignation or removal. Each of the nominees, other than Daniel Bradbury and Keith Gottesdiener, presently serves on the board.

Set forth below are the names of the persons nominated as directors, their ages, their offices in the Company, if any, their principal occupations or employment for at least the past five years, the length of their tenure as directors and the names of other public companies in which such persons hold or have held directorships during the past five years. Additionally, information about the specific experience, qualifications, attributes or skills that led to our board of directors' conclusion at the time of filing of this proxy statement that each person listed below should serve as a director is set forth below:

Name	Age	Position(s) with the Company
Paolo Fundaro	42	Chairman of the Board
Mark Pruzanski, M.D.	48	President, Chief Executive Officer and Director
Srinivas Akkaraju, M.D., Ph.D. <sup>(2)(4)</sup>	48	Director
Luca Benatti, Ph.D. <sup>(3)(4)</sup>	55	Director
Daniel Bradbury	55	Director Nominee
Keith Gottesdiener, M.D.	62	Director Nominee
Gino Santini <sup>(1)(2)</sup>	59	Director
Glenn Sblendorio <sup>(1)</sup>	60	Director
Daniel Welch <sup>(2)(3)</sup>	58	Director

- (1) Member of our audit committee  
(2) Member of our compensation committee  
(3) Member of our nominating and governance committee  
(4) Member of our research and development committee

**Paolo Fundaro** has served as a member of our board of directors since 2006 and has acted as our chairman since October 2015. Mr. Fundaro has been Genextra's chief financial officer since its inception in 2004. Before joining Genextra, Mr. Fundaro was director of finance and strategic planning for the Fastweb Group from 2000 to 2004. Previously, he worked for investment banks, including Salomon Smith Barney (now Citigroup) and Donaldson Lufkin & Jenrette (now Credit Suisse). Mr. Fundaro has a degree in Business Management from Bocconi University in Milan, Italy.

TABLE OF CONTENTS

We believe that Mr. Fundaro possesses specific attributes that qualify him to serve as a member of our board of directors, including his significant experience in corporate finance and his experience building, investing in and growing companies in diverse industries, including the biopharmaceutical industry.

**Mark Pruzanski, M.D.** is a co-founder of our company and has served as our chief executive officer and president, and has been a member of our board of directors, since our inception in 2002. He has over 15 years of experience in life sciences company management, venture capital and strategic consulting. Dr. Pruzanski was previously a venture partner at Apple Tree Partners, an early stage life sciences venture capital firm he co-founded in 1999. Prior to that, he was an entrepreneur-in-residence at Oak Investment Partners. Dr. Pruzanski received his M.D. from McMaster University in Ontario, a M.A. degree in International Affairs from the Johns Hopkins University School of Advanced International Studies in Bologna, Italy and Washington, D.C., and a bachelor's degree from McGill University in Montreal, Quebec. He currently also serves on the boards of the Emerging Company Section of the Biotechnology Industry Association (BIO) and the Foundation for the Defense of Democracies, a think tank in Washington, D.C. Dr. Pruzanski is a co-author of a number of scientific publications and an inventor of several patents relating to our product candidates and scientific discoveries.

We believe that Dr. Pruzanski's perspective and the experience he brings as our chief executive officer and president and as one of our company's founders, together with his historic knowledge of our company and our product candidates, operational expertise and continuity to our board of directors, and his experience in managing and investing in companies within the life sciences industry, qualify him to serve as a member of our board of directors.

**Srinivas Akkaraju, M.D., Ph.D.** has served as a member of our board of directors since October 2012. Since February 2016, Dr. Akkaraju has been a senior advisor to Sofinnova Ventures. From April 2013 to February 2016, Dr. Akkaraju served as a general partner of Sofinnova Ventures. From January 2009 until April 2013, Dr. Akkaraju was a managing director of New Leaf Venture Partners, L.L.C. From 2006 to 2008, Dr. Akkaraju served as a managing director at Panorama Capital, LLC, a private equity firm founded by the former venture capital investment team of J.P. Morgan Partners, LLC, a private equity division of JPMorgan Chase & Co. Prior to co-founding Panorama Capital, he was with J.P. Morgan Partners, which he joined in 2001 and of which he became a partner in 2005. From 1998 to 2001, he was in business and corporate development at Genentech, Inc. (a wholly owned member of the Roche Group), a biotechnology company, most recently as senior manager. Dr. Akkaraju received his M.D. and a Ph.D. in Immunology from Stanford University. He received his undergraduate degrees in Biochemistry and Computer Science from Rice University. Dr. Akkaraju serves and has served on the boards of directors and board committees of numerous public and private companies. Dr. Akkaraju serves as a director of Seattle Genetics, Inc., Versartis Inc. and aTyr Pharma, Inc. Previously, Dr. Akkaraju served as a director on the boards of Barrier Therapeutics, Inc., Eyetech Pharmaceuticals, Inc., Synageva Biopharma Corp. and ZS Pharma, Inc., all publicly traded biotechnology companies, and Amarin Corporation plc, a foreign publicly traded biotechnology company.

We believe that Dr. Akkaraju's scientific background, coupled with experience in private equity and venture capital investing, qualify him to serve as a member of our board of directors.

**Luca Benatti, Ph.D.** has served as a member of our board of directors since July 2014. Dr. Benatti has over 25 years of experience in the biopharmaceutical industry and has been serving as the chief executive officer and a director of EryDel S.p.A., a drug delivery company focused on rare diseases, since June 2012. From 1999 until May 2012, Dr. Benatti was the founder and chief executive officer of Newron Pharmaceuticals S.p.A., a company listed on the Swiss Exchange. Under his guidance, Newron developed a pipeline of potential therapies, with its most advanced compound, Xadago, recently approved in Europe and under regulatory review in the United States for the treatment of Parkinson's disease. He also was instrumental in finalizing multimillion licensing deals with Merck Serono, Meiji Seika and Zambon Pharma S.p.A., and in the acquisition of Hunter Fleming, a U.K.-based biotechnology company.

From 1985 to 1998, he held various R&D positions at Farmitalia, Pharmacia and Pharmacia & Upjohn. Dr. Benatti graduated from and performed his post-doctoral training at Milano Genetics Institute. He serves as director on the board of Newron (SIX: NWRN), as chairman of the scientific advisory board of Zambon, as chairman of the Italian



TABLE OF CONTENTS

Angels for Biotech association, as a member of the board of Assobiotec, the Italian Biotech Association, and member of the jury of the European Biotechnica Award. He has authored several scientific publications and holds a number of patents.

We believe that Dr. Benatti's scientific background, together with his significant experience in drug development, financing, business development and regulatory matters at other biopharmaceutical companies, qualify him to serve on our board of directors.

**Daniel Bradbury** has been nominated for election to our board of directors at our 2016 annual meeting. Mr. Bradbury has over 30 years of experience leading global, fast-growing life sciences companies. Since 2012, Mr. Bradbury has been a managing member of BioBrit, LLC, a life sciences consulting and investment firm. Mr. Bradbury served as the president and chief executive officer and as a director of Amylin Pharmaceuticals, a biopharmaceutical company based in San Diego, California, focused on metabolic diseases, from March 2007 until it was acquired by the Bristol-Myers Squibb Company in August 2012. Prior to being named president and chief executive officer, Mr. Bradbury held positions of increasing responsibility at Amylin since 1994, including president (2006–2007), chief operating officer (2003–2006) and executive vice president (2000–2003). Before joining Amylin, Mr. Bradbury worked in marketing and sales roles for ten years at SmithKline Beecham Pharmaceuticals. Mr. Bradbury currently serves as a director of Corcept Therapeutics, Inc., Geron Corporation and Illumina, Inc., all of which are NASDAQ-listed biopharmaceutical companies, and Biocon Limited, a biopharmaceutical company traded on the National Stock Exchange of India. He is an advisory board member of Investor Growth Capital, and is a member of the advisory committee of BioMed Ventures. Mr. Bradbury also serves on the University of California San Diego's Rady School of Management's Advisory Council and the Keck Graduate Institute's Board of Trustees. Mr. Bradbury received a Bachelor of Pharmacy from Nottingham University and a Diploma in Management Studies from Harrow and Ealing Colleges of Higher Education in the United Kingdom.

We believe that Mr. Bradbury's significant experience in leading biopharmaceutical companies that have brought innovative therapies to market and his deep understanding of strategic and operational understanding of rapidly growing, global life science companies qualifies him to serve on our board of directors.

**Keith Gottesdiener, M.D.** has been nominated for election to our board of directors at our 2016 annual meeting. Dr. Keith Gottesdiener has been the chief executive officer and a member of the board of directors at Rhythm Holding Co., LLC since October 2011, a holding company with two subsidiaries, Rhythm Pharmaceuticals and Motus Therapeutics. Dr. Gottesdiener has also served as the chief executive officer and a board member of Rhythm Pharmaceuticals and Motus Therapeutics since October 2011. He joined Rhythm after 16 years at Merck Research Laboratories. Dr. Gottesdiener joined Merck early clinical development in 1995, helping to transition compounds from the bench to the bedside and through to proof of concept. He held positions of increasing responsibility, eventually leading Merck's early clinical development across all therapeutic areas from 2001 through early 2006. From 2006 to 2011, he was a leader of Merck's late clinical development organization, first overseeing the development of Merck's infectious diseases and vaccine products through pivotal trials, registration, and life cycle management, including Gardasil™ (HPV Vaccine), Rotateq™ (rotavirus vaccine), Zostavax™ (zoster vaccine) and Isentress™ (HIV integrase inhibitor), among others. In 2008, Dr. Gottesdiener was appointed Late Stage Therapeutic Group Leader, and in that role led Merck's late-stage clinical development efforts (from Phase 2 through patent expiry) across all therapeutic areas. After Merck's merger with Schering Plough in 2009, he continued as Co-Head of Late Development. From 2009 through 2011, he served as Merck's Vice President, Clinical Sciences and Therapeutic Area Group Leader.

Dr. Gottesdiener received his B.A. from Harvard College and his M.D. from the University of Pennsylvania. He completed his residency and fellowship at the Brigham and Women's Hospital-Beth Israel Medical Center-Dana

Farber Cancer Institute Children's Hospital programs. After his fellowship, Dr. Gottesdiener did postdoctoral research in the laboratory of Dr. Jack Strominger at Dana Farber Cancer Institute working on the molecular immunology of the T-cell receptor. In 1986, he joined the faculty as an assistant professor at Columbia University, started an independent research laboratory with NIH RO-1 funding, focusing on gene transcription, and was Associate Clinical Professor of Medicine at the time he left to join Merck in 1995.

13

---

TABLE OF CONTENTS

We believe that Dr. Gottesdiener's scientific background and significant experience in leading the development of numerous therapies to market, together with his leadership experience at global biopharmaceutical companies, qualify him to serve on our board of directors.

**Gino Santini** has served as a member of our board of directors since November 2015. From 1983 to December 2010, Mr. Santini held a variety of commercial and operational roles at Eli Lilly and Company, a public global pharmaceutical company, serving most recently from April 2007 to December 2010 as Senior Vice President, Corporate Strategy and Business Development, where he led corporate strategy and long-range planning, mergers and acquisitions, new product licensing and the expansion of Lilly Ventures in the United States and China. During his tenure at Eli Lilly, Mr. Santini held various leadership positions of increasing responsibility, including manager of various international regions and Senior Vice President of Corporate Strategy and Policy from 2004 to 2007. Mr.

Santini serves on the boards of directors of the following public biopharmaceutical companies: AMAG Pharmaceuticals, Inc., since 2012; Collegium Pharmaceuticals, Inc., since 2012; Horizon Pharma plc (and its predecessor company), since 2012; and Vitae Pharmaceuticals, Inc., since 2014. Mr. Santini was previously a director of Sorin, S.p.A., a global public medical device company, until its acquisition in October 2015. Mr. Santini also serves as a director for a number of private biopharmaceutical companies such as Intarcia Therapeutics, Inc., Allena Pharmaceuticals, Inc. and Artax Biopharma Inc. Mr. Santini is a past chairman of the board of the National Pharmaceutical Council and of Noble of Indiana, a non-profit agency serving individuals with developmental disabilities. He also served on the board of directors for United Way and the executive committee and the board of directors of the Indianapolis Chamber of Commerce. He holds an undergraduate degree in mechanical engineering from the University of Bologna and an M.B.A. from the Simon School of Business, University of Rochester.

We believe that Mr. Santini's experience in a variety of operational and leadership roles at Eli Lilly, including his domestic and international commercial, corporate strategy, business development and transaction experience, qualify him to serve as a member of our board of directors.

**Glenn Sblendorio** has served as a member of our board of directors since 2014. In April 2016, Mr. Sblendorio joined Ophthotech Corporation as its executive vice president, chief operating officer and chief financial officer. Mr. Sblendorio served as the president and chief financial officer of The Medicines Company from February 2012 through December 2015. From March 2006 to February 2012, he served as chief financial officer and executive vice president of The Medicines Company. From November 2005 until he joined The Medicines Company, Mr. Sblendorio served as a consultant to a company in the pharmaceutical industry. Previously, Mr. Sblendorio was executive vice president and chief financial officer of Eyetech Pharmaceuticals, Inc. from February 2002 until it was acquired by OSI Pharmaceuticals, Inc. in November 2005. Mr. Sblendorio also held the position of chief executive officer and managing director of MPM Capital Advisors. His other pharmaceutical experience also includes 12 years at Hoffmann-LaRoche, Inc., a pharmaceutical company, in a variety of senior financial positions, including vice president, finance of Roche Molecular Systems and head of finance-controller for Amgen/Roche Europe. Mr. Sblendorio currently serves as a director of Amicus Therapeutics, Inc., a public biopharmaceutical company. Mr. Sblendorio was previously a board member of Ophthotech Corporation through March 2016 and The Medicines Company through December 2015. Mr. Sblendorio received his B.B.A. from Pace University and his M.B.A. from Fairleigh Dickinson University and is a graduate of the Harvard Business School, Advanced Management Program.

We believe that Mr. Sblendorio's financial expertise, his experience as a member of the leadership of numerous life sciences companies, together with his experience as chief financial officer and board member with numerous companies, qualify him to serve as a member of our board of directors. In addition, Mr. Sblendorio brings expertise to our company in the areas of business operations and strategy, financial analysis and reporting, internal auditing and controls and risk management oversight.

***Daniel Welch*** has served as a member of our board of directors since November 2015. Mr. Welch has been an Executive Partner at Sofinnova Ventures since 2015. From 2003 until October 2014, Mr. Welch was the Chairman, Chief Executive Officer and President of InterMune, Inc., which was listed on the Nasdaq Stock Market until the acquisition of the company by Roche. During his tenure, InterMune secured registration of Esbriet, the first medicine approved for idiopathic pulmonary fibrosis in Europe and the

## TABLE OF CONTENTS

United States. Mr. Welch built the InterMune development and commercial teams that delivered the successful approval and launches of Esbriet in Europe and the United States. From August 2002 to January 2003, Mr. Welch served as Chairman and Chief Executive Officer of Triangle Pharmaceuticals, Inc., a pharmaceutical company which was acquired by Gilead Sciences. From October 2000 to June 2002, he served as president of the pharmaceutical division of Elan Corporation, PLC (later acquired by Perrigo Company plc). From September 1987 to August 2000, Mr. Welch served in various senior management roles at Sanofi-Synthelabo (now Sanofi S.A.) and its predecessor companies, Sanofi and Sterling Winthrop. During his time at Sanofi, he led the worldwide launches of Plavix®, Eloxatin® and Avapro® as Vice President of Worldwide Marketing and served as Chief Operating Officer of the U.S. business. From November 1980 to September 1987, Mr. Welch was with American Critical Care, a division of American Hospital Supply. He currently serves on the board of directors of Avexis, Inc., (where he serves as the chairman of the board), Ultragenyx Pharmaceutical Inc., (where he serves as the chairman of the board) and Seattle Genetics, Inc. Mr. Welch holds a B.S. from the University of Miami and an M.B.A. from the University of North Carolina.

We believe that Mr. Welch's knowledge and experience in leading companies from clinical stage drug development through to large-scale commercialization, as well as his track record of building operations and international businesses, qualify him to serve as a member of our board of directors.

There are no family relationships between or among any of our directors, executive officers or director nominees. The principal occupation and employment during the past five years of each of our directors and nominees was carried on, in each case except as specifically identified above, with a corporation or organization that is not a parent, subsidiary or other affiliate of us. There is no arrangement or understanding between any of our directors or nominees and any other person or persons pursuant to which he or she is to be selected as a director or nominee.

There are no legal proceedings to which any of our directors is a party adverse to us or any of our subsidiaries or in which any such person has a material interest adverse to us or any of our subsidiaries.

## **Director Nominations**

No material changes have been made to the procedures by which stockholders may recommend nominees to our board of directors.

## **Board Determination of Director Independence**

Our board of directors has reviewed the materiality of any relationship that each of our directors and the director nominees has with Intercept, either directly or indirectly. Based upon this review, our board has determined that Mr. Bradbury and Dr. Gottesdiener, our director nominees, and all of our directors other than Dr. Pruzanski, our chief executive officer and president, are independent directors as defined by NASDAQ. Our board of directors also determined that Messrs. Welch and Silverstein and Dr. Benatti, who comprise our nominating and governance committee, all satisfy the independence standards for such committees established by the SEC and the NASDAQ Marketplace Rules, as applicable. With respect to our audit committee, our board of directors has determined that Messrs. Sblendorio, Santini and Silverstein satisfy the independence standards for such committee established by Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, the SEC and the NASDAQ Marketplace Rules, as applicable. With respect to our compensation committee, our board of directors has determined that Messrs. Santini and Welch and Drs. Akkaraju and Veitinger satisfy the independence standards for such committee established by Rule 10C-1 under the Exchange Act, the SEC and the NASDAQ Marketplace Rules, as applicable.

In making such determinations, the board of directors considered the relationships that each such non-employee director or director nominee has with our company and all other facts and circumstances the board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director. In considering the independence of our directors and director nominees, our board of directors considered the association of each such non-employee director and director nominee has with us and all other facts and circumstances our board of directors deemed relevant in determining independence.

TABLE OF CONTENTS

## Committees of the Board of Directors and Meetings

**Meeting Attendance.** During the fiscal year ended 2015 there were nine meetings of our board of directors, and the various committees of the board met a total of 16 times. No director attended fewer than 75% of the total number of meetings of the board and of committees of the board on which he or she served during fiscal 2015. The board has adopted a policy under which each member of the board is strongly encouraged but not required to attend each annual meeting of our stockholders either in person or via teleconference. Six of our directors, including five of our independent directors, attended our 2015 Annual Meeting of Stockholders either in person or by teleconference, including our chairman of the board at the time, Mr. Silverstein.

Our board of directors intends to make new committee designations after our directors commence their new terms in office upon the completion of our annual meeting of stockholders.

**Audit Committee.** Our audit committee met six times during fiscal 2015. This committee currently has three members: Messrs. Sblendorio (Chairman), Santini and Silverstein. Our board of directors determined that Mr. Sblendorio is an audit committee financial expert, as defined by the rules of the SEC, and satisfies the financial sophistication requirements of applicable NASDAQ rules. Our board of directors has determined that each of Messrs. Sblendorio, Silverstein and Santini is an independent director under the NASDAQ Marketplace Rules and Rule 10A-3 of the Exchange Act.

Mr. Silverstein, who will not stand for re-election, will also cease to be a member of our audit committee after our 2016 Annual Meeting of Stockholders. Our board of directors intends to designate a third member to our audit committee upon the completion of our annual meeting.

Our audit committee's role and responsibilities are set forth in the audit committee's written charter and include the authority to retain and terminate the services of our independent registered public accounting firm. In addition, the audit committee reviews our annual and quarterly financial statements, considers matters relating to accounting policy and internal controls and reviews the scope of annual audits.

Our audit committee is authorized to:

- approve and retain the independent auditors to conduct the annual audit of our financial statements;
- review the proposed scope and results of the audit;
- review and pre-approve audit and non-audit fees and services;
- review accounting and financial controls with the independent auditors and our financial and accounting staff;
- review and approve transactions between us and our directors, officers and affiliates;
- recognize and prevent prohibited non-audit services;
- establish procedures for complaints received by us regarding accounting matters;
- oversee internal audit functions, if any; and

prepare the report of the audit committee that the rules of the SEC require to be included in our annual meeting proxy statement.

Please also see the report of the audit committee set forth elsewhere in this proxy statement.

A copy of the audit committee's written charter is publicly available in the Investors' section of our website at [www.interceptpharma.com](http://www.interceptpharma.com).

**Compensation Committee.** Our compensation committee met five times during fiscal 2015. This committee currently has four members: Messrs. Santini (Chairman) and Welch and Drs. Akkaraju and Veitinger. All members of the compensation committee qualify as independent under the definition promulgated by The NASDAQ Stock Market and Rule 10C-1 of the Exchange Act.

Dr. Veitinger, who will not stand for re-election, will also cease to be a member of our compensation committee after our 2016 Annual Meeting of Stockholders.



TABLE OF CONTENTS

Our compensation committee's role and responsibilities are set forth in the compensation committee's written charter and include:

reviewing and recommending the compensation arrangements for management, including the compensation for our president and chief executive officer;  
establishing and reviewing general compensation policies with the objective to attract and retain superior talent, to reward individual performance and to achieve our financial goals;  
administering our equity incentive plans; and  
preparing the report of the compensation committee that the rules of the SEC require to be included in our annual meeting proxy statement.

In respect of the determination of the compensation of our president and chief executive officer, the compensation committee conducts its decision making process without the president and chief executive officer present.

Our compensation committee makes all compensation decisions regarding our executive officers, after which it makes a recommendation to our full board of directors. Our board of directors then approves the compensation for our executive officers.

During the first calendar quarter of each year, we evaluate each executive's performance for the prior year. In connection with each annual review cycle, Dr. Pruzanski, our president and chief executive officer, meets with our executive officers to discuss our accomplishments during the year and the individual's performance and contributions over the prior year. Based on these discussions, Dr. Pruzanski, with respect to each executive other than himself, prepares an evaluation of the executive's performance. Dr. Pruzanski also prepares his own self-assessment as well as a detailed review of company performance against stated corporate goals. This process leads to a recommendation by Dr. Pruzanski to the compensation committee with respect to each executive officer, including himself, as to:

the achievement of stated corporate and individual performance goals;  
the level of contributions made to the general management and guidance of our company;  
the need for salary increases;  
the amount of bonuses to be paid; and  
whether or not stock option and/or other equity awards should be made.

These recommendations are reviewed and taken into account by the compensation committee. The compensation committee makes a recommendation regarding executive compensation to the full board of directors, which then approves the compensation of our executive officers.

In designing our executive compensation program, our compensation committee considers publicly available compensation data for U.S. companies in the biopharmaceutical industry to help guide its executive compensation decisions at the time of hiring and for subsequent adjustments in compensation. Our compensation committee also retained the services of Radford, an independent compensation consultant and a division of Aon Hewitt, which is a subsidiary of Aon plc, to provide it with additional comparative data on executive compensation practices in our industry and to advise it on our executive compensation program generally. For 2015, Radford provided advice and data to the compensation committee on executive and director compensation matters, including the selection of our peer group, comparative market pay levels, equity dilution and annual share utilization practices, incentive plan design and emerging market trends. Pearl Meyer & Partners, or PM&P, an independent compensation consultant, also advised the compensation committee in its evaluation and determination of the cash salary and bonus targets for 2015. Although the compensation committee considers the advice and recommendations of the compensation consultants about our executive compensation program, the compensation committee ultimately makes its own decisions about these matters.



TABLE OF CONTENTS

The compensation committee regularly reviews the services provided by its outside consultants and performs an annual assessment on the independence of its compensation consultants to determine whether the compensation consultant is independent. The compensation committee conducted a specific review of its relationship with each of Radford and PM&P in 2015, and determined that each such advisor is independent in providing Intercept with executive and director compensation consulting services and that each such advisor's work for the compensation committee did not raise any conflicts of interest, consistent with SEC rules and NASDAQ listing standards.

Our compensation committee will also review and discuss annually with management our Compensation Discussion and Analysis disclosure to the extent such disclosure is required by SEC rules.

A copy of the compensation committee's written charter is publicly available in the Investors section of our website at [www.interceptpharma.com](http://www.interceptpharma.com).

***Nominating and Governance Committee.*** Our nominating and governance committee met five times during fiscal 2015. This committee currently has three members: Daniel Welch (Chairman), Mr. Silverstein and Dr. Benatti. All members of the nominating and governance committee qualify as independent under the definition promulgated by The NASDAQ Stock Market.

Mr. Silverstein, who will not stand for re-election, will also cease to be a member of our nominating and governance committee after our 2016 Annual Meeting of Stockholders. Our board of directors intends to designate a third member to our nominating and governance committee upon the completion of our annual meeting.

The nominating and governance committee's role and responsibilities are set forth in the nominating and governance committee's written charter and include:

evaluating and making recommendations to the full board as to the size and composition of the board and its committees;

identifying and nominating members of the board of directors;

developing and recommending to the board of directors a set of corporate governance principles applicable to our company; and

overseeing the evaluation of our board of directors.

Our nominating and governance committee recommended to the board of directors that Mr. Bradbury and Dr. Gottesdiener join the board and upon such endorsement, the board recommended that Mr. Bradbury and Dr. Gottesdiener be nominated as directors at our 2016 Annual Stockholder Meeting.

If a stockholder wishes to nominate a candidate for director who is not to be included in our proxy statement, it must follow the procedures described in our restated by-laws and in Stockholder Proposals and Nominations for Director at the end of this proxy statement.

Under our current corporate governance policies, the nominating and governance committee may consider candidates recommended by stockholders as well as from other sources such as other directors or officers, third party search firms or other appropriate sources. The process followed by our nominating and governance committee to identify and evaluate director candidates includes requests to board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the committee and our board. For all potential candidates, the nominating and governance committee may consider all factors it deems relevant, such as a candidate's personal integrity and sound judgment, business and professional skills and experience, independence, knowledge of the industry in which we operate, possible conflicts of interest, diversity, the extent to which the candidate would fill a present need on the

board, and concern for the long-term interests of the stockholders. In general, persons recommended by stockholders will be considered on the same basis as candidates from other sources. If a stockholder wishes to propose a candidate for consideration as a nominee by the nominating and governance committee under our corporate governance policies, it should submit such recommendation in writing c/o Corporate Secretary, Intercept Pharmaceuticals, Inc., 450 West 15<sup>th</sup> Street, Suite 505, New York, NY 10011.

## TABLE OF CONTENTS

A copy of the nominating and governance committee's written charter is publicly available in the Investors section of our website at [www.interceptpharma.com](http://www.interceptpharma.com).

**Research and Development Committee.** Our research and development committee met once during fiscal 2015. This committee currently has three members: Dr. Luca Benatti (Chairman) and Drs. Akkaraju and Veitinger. This committee assists the board of directors in its oversight of our strategic direction and investment in research and development, technology and manufacturing activities. The research and development committee is also responsible for identifying and discussing significant emerging trends and issues in science and technology and considering their potential impact on our company.

Dr. Veitinger, who will not stand for re-election, will also cease to be a member of our research and development committee after our 2016 Annual Meeting of Stockholders. Our board of directors intends to designate a third member to our research and development committee upon the completion of our annual meeting of stockholders.

A copy of the research and development committee's written charter is publicly available in the Investors section of our website at [www.interceptpharma.com](http://www.interceptpharma.com).

## **Board Diversity**

Our nominating and governance committee is responsible for reviewing with the board of directors, on an annual basis, the appropriate characteristics, skills and experience required for the board of directors as a whole and its individual members. In evaluating the suitability of individual candidates (both new candidates and current members), the nominating and corporate governance committee, in recommending candidates for election, and the board of directors, in approving (and, in the case of vacancies, appointing) such candidates, will take into account many factors, including the following:

diversity of personal and professional background, perspective, experience, age, gender, ethnicity and country of citizenship;

personal and professional integrity and ethical values;

experience in one or more fields of business, professional, governmental, scientific or educational endeavors, and a general appreciation of major issues facing public companies similar in scope and size to us;

experience relevant to our industry or with relevant social policy concerns;

relevant academic expertise or other proficiency in an area of our operations;

objective and mature business judgment and expertise; and

any other relevant qualifications, attributes or skills.

## **Compensation Committee Interlocks and Insider Participation**

No member of our compensation committee during fiscal 2015 has at any time been an officer or employee of ours. None of our executive officers serves as a member of another entity's board of directors or compensation committee, or other committee serving an equivalent function that has one or more executive officers serving as a member of our board of directors or compensation committee.

## **Board Leadership Structure and Role in Risk Oversight**

The positions of chairman of the board and chief executive officer are presently separated at our company. We believe that separating these positions allows our chief executive officer to focus on our day-to-day business, while allowing

our chairman of the board to lead the board of directors in its fundamental role of providing advice to, and independent oversight of, management. Our board of directors recognizes the time, effort and energy that the chief executive officer is required to devote to his position in the current business environment, as well as the commitment required to serve as our chairman, particularly as the board of directors oversight responsibilities continue to grow.

Our board of directors also believes that this structure ensures a greater role for the independent directors in the oversight of our company and active participation of the independent directors in setting agendas and establishing priorities and procedures for the

## TABLE OF CONTENTS

work of our board of directors. Our board of directors believes its administration of its risk oversight function has not affected its leadership structure.

While our restated by-laws and corporate governance guidelines do not require that our chairman and chief executive officer positions be separate, our board of directors believes that having separate positions is the appropriate leadership structure for us at this time and demonstrates our commitment to good corporate governance.

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including risks relating to the regulatory approval and commercialization of pharmaceutical products, product candidate development, technological and competitive uncertainty, dependence on collaborative partners and other third parties, uncertainty regarding patents and proprietary rights, comprehensive government regulations and dependence on key personnel, as more fully discussed under Item 1.A. Risk Factors in our annual report on Form 10-K as may be periodically updated in our filings under the Exchange Act. Management is responsible for the day-to-day management of risks we face, while our board of directors, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, our board of directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.

Our board of directors is actively involved in oversight of risks that could affect us. This oversight is conducted primarily through the audit committee of our board of directors, but the full board of directors has retained responsibility for general oversight of risks. Our board of directors satisfies this responsibility through full reports by each committee chair regarding the committee's considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within our company as our board of directors believes that full and open communication between management and the board of directors is essential for effective risk management and oversight.

## **Stockholder Communications to the Board**

Generally, stockholders who have questions or concerns should contact our Investor Relations department at 646-747-1000. However, any stockholders who wish to address questions regarding our business directly with the board of directors, or any individual director, should direct his or her questions in writing to the chairman of the board or any individual director ATTN: SECURITY HOLDER COMMUNICATION, Board of Directors, Intercept Pharmaceuticals, Inc. at 450 West 15<sup>th</sup> Street, Suite 505, New York, NY 10011 or via e-mail at secretary@interceptpharma.com. Communications will be distributed to the board, or to any individual director or directors as appropriate, depending on the facts and circumstances outlined in the communications. Items that are unrelated to the duties and responsibilities of the board may be excluded, such as:

junk mail and mass mailings;  
resumes and other forms of job inquiries;  
surveys; or  
solicitations or advertisements.

In addition, any material that is unduly hostile, threatening, or illegal in nature may be excluded, provided that any communication that is filtered out will be made available to any outside director upon request.

TABLE OF CONTENTS**Executive Officers**

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

Name	Age	Position(s)
Lisa Bright	48	Chief Commercial and Corporate Affairs Officer
Barbara Duncan	51	Chief Financial Officer and Treasurer
Rachel McMinn, Ph.D.	43	Chief Business and Strategy Officer
David Shapiro, M.D.	61	Chief Medical Officer and Executive Vice President, Development

**Lisa Bright** has served as our chief commercial and corporate affairs officer since February 2015. She has over 25 years of experience in the biopharmaceutical industry. Ms. Bright joined Intercept in November 2014 as senior vice president and head of Europe. Prior to joining Intercept, Ms. Bright worked at Gilead Sciences Ltd. starting in 2008, where she held positions of increasing responsibility, including: general manager United Kingdom & Ireland; vice president, Northern Europe; vice president, head of Sovaldi launch planning for Europe, Asia, Middle East and Australasia; and vice president, government affairs Europe, Middle East and Australasia. Prior to holding these positions, Ms. Bright held a range of senior positions at GlaxoSmithKline plc, including vice president and managing director of New Zealand and vice president sales for the United Kingdom. Ms. Bright has a B.Sc. in pharmacology from University College London.

**Barbara Duncan** has served as our chief financial officer since May 2009 and as our treasurer since 2010. She has over 15 years of experience in the life sciences industry. From 2001 through April 2009, Ms. Duncan served as chief financial officer and then chief executive officer at DOV Pharmaceutical, Inc., or DOV, a biopharmaceutical company focused on central nervous system disorders, which was sold to Euthymics Bioscience, Inc. in 2010. Prior to joining DOV, Ms. Duncan served as a vice president of Lehman Brothers Inc. in its corporate finance division from August 1998 to August 2001, where she provided financial advisory services primarily to companies in the life sciences and general industrial industries. From September 1994 to August 1998, Ms. Duncan was an associate and director at SBC Warburg Dillon Read, Inc. in its corporate finance group, where she focused primarily on structuring mergers, divestitures and financings for companies in the life sciences and general industrial sectors. She also worked for PepsiCo, Inc. from 1989 to 1992 in its international audit division, and was a certified public accountant in the audit division of Deloitte & Touche LLP from 1986 to 1989. Ms. Duncan received her B.S. from Louisiana State University in 1985 and her M.B.A. from the Wharton School, University of Pennsylvania, in 1994. She previously served as a director of DOV and currently serves on the board of directors of Edgemont Pharmaceuticals, LLC, a privately held, specialty pharmaceutical company with a primary focus in the field of neuroscience, Jounce Therapeutics, Inc., a privately held cancer immunotherapy company, Medgenics, Inc., a public, clinical stage biopharmaceutical company focused on rare diseases, and Adaptimmune Therapeutics plc, a public, clinical stage biopharmaceutical company focused cancer immunotherapy products based on its T-cell platform.

**Rachel McMinn, Ph.D.** has served as our chief business and strategy officer since March 2015. Dr. McMinn joined Intercept as chief strategy officer in 2014. Since 2009 until joining Intercept, she was a managing director at Bank of America Merrill Lynch, working as the lead research analyst covering the biotechnology industry. Previously, Dr. McMinn worked at Cowen and Company as a lead biotechnology analyst and started her career as a biotechnology analyst at Piper Jaffray & Co. She graduated *magna cum laude* with a Bachelor of Arts degree in chemistry from Cornell University, earned a Ph.D. in molecular and cellular biology and chemistry from The Scripps Research Institute, and was awarded a post-doctoral Miller fellowship at the University of California, at Berkeley.



**David Shapiro, M.D.** has served as our chief medical officer and executive vice president, development since 2008.

He has over 25 years of clinical development experience in the pharmaceutical industry. Dr. Shapiro founded a consulting company, Integrated Quality Resources, that focused on development stage biopharmaceutical companies and was active in this role from 2005 to 2008. From 2000 to 2005, Dr. Shapiro was executive vice president, medical affairs and chief medical officer of Idun Pharmaceuticals, Inc., prior to its acquisition by Pfizer. From 1995 to 1998, he was president of the Scripps Medical Research Center at Scripps Clinic. He also served as vice president, clinical research at Gensia and as director and group leader,

TABLE OF CONTENTS

hypertension clinical research at Merck Research Laboratories from 1985 to 1990. Dr. Shapiro has authored more than 20 peer-reviewed publications and organized and chaired several conferences aimed at improving product development. He received his medical degree from Dundee University & Medical School, and undertook his postgraduate medical training in the university affiliated hospitals in Oxford, United Kingdom and the University of Vermont. Dr. Shapiro served on the board of directors of Altair Therapeutics and served for two terms on the Executive Committee of the Board of the American Academy of Pharmaceutical Physicians. He is an elected Fellow of both the Royal College of Physicians of London and the Faculty of Pharmaceutical Physicians of the United Kingdom.

There are no family relationships between or among any of our executive officers. The principal occupation and employment during the past five years of each of our executive officers was carried on, in each case except as specifically identified above, with a corporation or organization that is not a parent, subsidiary or other affiliate of us. There is no arrangement or understanding between any of our executive officers and any other person or persons pursuant to which he was or is to be selected as an executive officer.

There are no legal proceedings to which any of our executive officers is a party adverse to us or any of our subsidiaries or in which any such person has a material interest adverse to us or any of our subsidiaries.

## **Incoming Appointment of Sandip S. Kapadia as Chief Financial Officer**

On June 9 2016 we, announced the appointment of Sandip S. Kapadia as our new chief financial officer. Mr. Kapadia is expected to commence his employment with us on July 1, 2016, the Commencement Date.

Mr. Kapadia, brings over 19 years of experience in building and leading finance and administration teams at life sciences companies both in the United States and abroad. Mr. Kapadia joins Intercept from Sandoz, Inc., a division of Novartis AG, where he served as vice president and chief financial officer North America from 2014 through 2016. From 2012 to 2014, Mr. Kapadia was vice president and chief financial officer of Novartis Pharmaceuticals UK Limited. Mr. Kapadia also served as vice president and chief financial officer of Novartis Pharmaceuticals B.V. located in the Netherlands from 2009 through 2012. Prior to that, he served as head of finance oncology business unit for both Novartis Pharmaceuticals A.G. and Novartis Pharmaceuticals Corporation. Mr. Kapadia earned his bachelor degree in business administration and accounting from Montclair State University, an M.B.A from Rutgers Graduate School of Management and is a certified public accountant.

In connection with his appointment as chief financial officer, we entered into an employment agreement with Mr. Kapadia that sets forth the terms and conditions of Mr. Kapadia's employment with us. Mr. Kapadia's employment agreement, which has an initial one-year term with automatic renewal each year thereafter unless terminated as set forth below, provides that Mr. Kapadia shall (i) receive a base salary of \$400,000; (ii) be eligible for an annual cash bonus of up to 50% of his base salary; (iii) be granted on the Commencement Date an option to purchase 18,000 shares of our common stock under the our 2012 Equity Incentive Plan, at a per share exercise price equal to the closing price of the common stock on the date of grant; (iv) be granted a restricted stock award for 15,000 shares of our common stock under our 2012 Equity Incentive Plan; and (v) receive a signing bonus of \$75,000 which is subject to full repayment in the event he is terminated for cause or resigns other than for good reason, as defined in his employment agreement, prior to the one year anniversary of the Commencement Date.

In the event that we do not renew Mr. Kapadia's employment at the end of his employment term, Mr. Kapadia is terminated by us without cause, as defined in his employment agreement, or he resigns with good reason, as defined in

his employment agreement, Mr. Kapadia will be entitled to receive (i) 12 months of his base salary (paid in accordance with our payroll) and (ii) continuation of participation in our group health and/or dental plan and the payment of his premiums for 12 months (or the cost of COBRA coverage for such period) for him and his dependents covered under our group health and/or dental plan prior to termination. In the event that Mr. Kapadia does not renew his employment at the end of his employment term, is terminated for cause, is terminated due to death or disability, or terminates his employment without good reason, Mr. Kapadia will not be entitled to severance payments unless mutually agreed upon in writing.

If we do not renew the employment of Mr. Kapadia at the end of his respective employment term, Mr. Kapadia is terminated by us without cause or he resigns with good reason, all of Mr. Kapadia's equity

TABLE OF CONTENTS

awards and stock options that would have vested within one year of the termination date will vest upon effectiveness of a release of claims in our favor and all vested stock options will be exercisable for up to one year from the effective date of termination unless the stock plan pursuant to which the option is granted requires earlier termination.

In the event that Mr. Kapadia is terminated by us for cause, by Mr. Kapadia by reason of non-renewal of his employment agreement, or by Mr. Kapadia without good reason, all unvested equity awards and stock options granted will immediately be forfeited and all vested options will be exercisable for up to 90 days following termination unless the stock plan pursuant to which the option is granted requires earlier termination.

In the event of the termination of Mr. Kapadia's employment, in anticipation of, and/or within 12 months following, a change in control (i) by us by reason of non-renewal of his employment agreement, (ii) by Mr. Kapadia for good reason or (iii) by us without cause, Mr. Kapadia will be entitled to receive (a) an amount equal to 12 months of his then-current monthly base salary payable as a single lump sum and (b) continuation of participation our group health and/or dental plan and the payment of his premiums for 12 months (or the cost of COBRA coverage for such period) for Mr. Kapadia, his spouse and any dependents covered under our group health and/or dental plan prior to termination. In such instances of termination all of Mr. Kapadia's unvested equity awards and stock options will, upon effectiveness of a release of claims in our favor, become fully vested and all of his vested stock options will be exercisable for a period of one year following the effective date of termination unless the stock plan pursuant to which the option is granted requires earlier termination.

Receipt of the severance benefits described above is conditioned upon Mr. Kapadia, as the case may be, entering into a release of claims with us and the release becoming effective and irrevocable within 60 days after termination. Mr. Kapadia has acknowledged and agreed that the timing of payments may be modified by us to comply with Section 409A of the Internal Revenue Code of 1986.

TABLE OF CONTENTS

# EXECUTIVE OFFICER AND DIRECTOR COMPENSATION

## Compensation Discussion and Analysis

### Executive Summary

#### Overview

This section discusses the principles underlying our policies and decisions with respect to the compensation of our executive officers and the most important factors relevant to an analysis of these policies and decisions. This section also describes the material elements of compensation awarded to, earned by or paid to each of our named executive officers for 2015. In addition, this section provides qualitative information regarding the manner and context in which compensation is awarded to and earned by our executive officers and is intended to place in perspective the data presented in the tables and narrative that follow. Our named executive officers for the year ended December 31, 2015 were as follows:

Name	Title
Mark Pruzanski, M.D.	Chief Executive Officer and President
David Shapiro, M.D.	Chief Medical Officer and Executive Vice President, Development
Barbara Duncan	Chief Financial Officer and Treasurer
Rachel McMinn, Ph.D.	Chief Business and Strategy Officer
Lisa Bright	Chief Commercial and Corporate Affairs Officer <sup>(1)</sup>
Daniel Regan	Chief Commercial Officer <sup>(2)</sup>

<sup>(1)</sup> Ms. Bright joined us in November 2014 as our Head of Europe and was named our Chief Commercial and Corporate Affairs Officer in February 2015.

<sup>(2)</sup> Mr. Regan ceased to be employed with us in March 2015.

#### **2015 Performance Highlights**

In 2015, we successfully achieved multiple important corporate and product development milestones that we believe contributed to enhancing stockholder value. Success in achieving these milestones enabled us to continue to develop obeticholic acid, or OCA, for both primary biliary cirrhosis, recently renamed primary biliary cholangitis, or PBC, and nonalcoholic steatohepatitis, or NASH, and, subject to obtaining required regulatory approvals, prepare for the planned commercial launch of OCA for PBC. In particular:

Ocaliva™ (OCA) Program in PBC: We completed the submission of our applications in the United States and Europe for marketing approval of Ocaliva for patients with PBC inadequately treated by, or intolerant of, standard first-line treatment ursodiol.

United States: In June 2015, we completed our filings for marketing approval of Ocaliva for PBC in the United States under the FDA's accelerated approval pathway. In August 2015, the FDA accepted for review our New Drug Application, or NDA, and granted Priority Review for Ocaliva for the treatment of PBC. On April 7, 2016, the FDA's Gastrointestinal Drugs Advisory Committee voted unanimously (17 to 0) to recommend accelerated approval of Ocaliva for the treatment of patients with PBC. On May 27, 2016, the FDA granted accelerated approval of Ocaliva

for PBC in combination with ursodiol, in adults with an inadequate response to UDCA or as monotherapy in adults unable to tolerate ursodiol. Ocaliva is expected to be available to PBC patients in the United States within 7 to 10 days from approval and will be distributed through a specialty pharmacy network.

Europe: In June 2015, we also received notice of the acceptance of the Marketing Authorization Application, or MAA, for review by the European Medicines Agency, or EMA, for use of Ocaliva for PBC. The EMA review process is ongoing. If we are successful in the EMA review process, we anticipate receiving marketing approval in late 2016, with planned commercial launches in certain European countries in 2017. The brand name Ocaliva has been provisionally approved by the EMA for OCA in PBC, but Ocaliva has not been granted marketing authorization or approval by the EMA.

24

---

## TABLE OF CONTENTS

**OCA Program in NASH:** We initiated our Phase 3 clinical trial, known as REGENERATE, in non-cirrhotic NASH patients with liver fibrosis. We also initiated a phase 2 clinical trial, known as the CONTROL trial, which will evaluate the effects of OCA in combination with statin therapy on lipid metabolism in patients with NASH.

**Other OCA Programs:** We initiated a phase 2 clinical trial, known as the AESOP trial, to evaluate the effects of varying doses of OCA in patients with primary sclerosing cholangitis, or PSC. We also initiated a Phase 2 clinical trial, referred to as the CARE trial, in pediatric patients with biliary atresia.

**Pipeline Development:** In November 2015, we initiated a Phase 1 clinical trial of our second product candidate to enter clinical development, called INT-767, a dual FXR and TGR5 agonist, in healthy volunteers.

**Structure for Success:** We substantially completed the build out of our U.S. commercial infrastructure with the hiring of a number of senior leaders in the U.S. commercial organization throughout 2015, along with the hiring of the U.S. territory business managers and other field personnel in October 2015. We also significantly expanded our commercial and other infrastructure internationally in 2015. Furthermore, we have devoted significant resources to building a global medical affairs team over the course of 2015 to support appropriate disease state, medical and scientific interactions with the healthcare and scientific community. We plan on making additional investments over 2016 should key regulatory milestones be achieved on a timely basis. We also believe that we have procured sufficient quantities of bulk commercial supply to initiate our commercial launch for Ocaliva for PBC, starting with the United States in 2016. We ended fiscal 2015 with a strong financial position to support our planned commercial launch of Ocaliva for PBC and our development programs with approximately \$628.1 million in cash, cash equivalents and investment securities.

### **Executive Compensation Philosophy**

The primary objective of our executive compensation policy is to attract, retain and motivate the key executives necessary for our short-term and long-term success. We seek to tie short-term and long-term compensation to employee performance, including the achievement of measurable corporate objectives, and to align executives incentives with stockholder value. The compensation committee approves compensation based on certain compensation philosophies, including the following:

*Pay-for-performance.* Executive compensation should reward achievement of corporate objectives and provide strong alignment with increasing value for shareholders. Our incentive plans deliver greater rewards when corporate and individual performance exceeds objectives, while providing lower compensation levels if performance expectations are not met.

*Attract, retain and motivate.* The executive compensation program should be a differentiator that helps Intercept attract, retain and motivate highly-talented individuals with the necessary skills and demonstrated abilities to deliver superior execution of our short- and long-term strategic plans and drive our continued success.

*Competitive with peer group.* Executive compensation should be competitive with compensation paid by market peers who compete with us for talent.

*Balanced combination of compensation elements.* The executive compensation program should include a balance of cash and equity incentives that reward short- and long-term performance. Our cash compensation provides alignment with the achievement of critical annual objectives, while equity-based compensation aligns the interests of our executive officers more closely with our stockholders.

*Aligned with our corporate culture.* The compensation principles for our executive leadership team should be aligned with those for all employees to help create a company-wide performance culture.

TABLE OF CONTENTS

**Components of Our Executive Compensation Program**

The primary elements of our executive compensation program are:

base salary;  
annual target-based cash bonuses;  
equity incentive awards; and  
broad-based health and welfare benefits.

The compensation committee believes that a significant amount of executive compensation should be in the form of at risk incentives and that the pay mix should be strongly weighted toward equity incentive awards in order to provide alignment with long-term shareholder value. However, we do not have a formal or informal policy for a pre-set allocation between long-term and short-term compensation, between cash and non-cash compensation or among different forms of non-cash compensation. Instead, our compensation committee, after reviewing information provided by our compensation consultant and other relevant data, determines what it believes to be the appropriate level and mix of the various compensation components. We generally strive to provide our named executive officers with a balance of short-term and long-term incentives to encourage consistently strong performance. Ultimately, the objective in allocating between long-term and currently paid compensation is to ensure adequate base compensation to attract and retain personnel, while providing incentives to maximize long-term value for Intercept and our stockholders. Therefore, we provide base salaries that meet competitive salary norms and recognize individual performance on an annual basis. We provide an opportunity to earn annual target-based cash bonuses to incentivize and reward superior short-term performance. To further focus our executives on longer-term performance and the creation of stockholder value, we rely upon equity-based awards that vest over a meaningful period of time. In addition, we provide our executives with benefits that are generally available to our salaried employees.

**Base salary**

We use base salaries to recognize the experience, skills, knowledge and responsibilities of our employees, including our executive officers. Base salaries for our named executive officers typically are established through an arm's-length negotiation at the time the executive is hired, taking into account the position for which the executive is being considered and the executive's qualifications, prior experience and prior salary. None of our executive officers is currently party to an employment agreement that provides for automatic or scheduled increases in base salary. However, on an annual basis, our compensation committee reviews and evaluates, with input from our chief executive officer, the need for adjustment of the base salaries of our executives based on changes and expected changes in the scope of an executive's responsibilities. The compensation committee also considers promotions, the individual contributions made by and performance of the executive during the prior fiscal year, the executive's performance over a period of years, overall economic and labor market conditions, the relative ease or difficulty of replacing the executive with a well-qualified person, our overall growth and development as a company, general salary trends in our industry and among our peer group and where the executive's salary falls in the salary range presented by that data. For more information regarding our peer group, see Our Compensation Process Market Benchmarking and Peer Group. In making decisions regarding salary increases, we may also draw upon the experience of members of our board of directors with other companies. We do not provide for any formulaic base salary increases for our named executive officers.



TABLE OF CONTENTS

For 2015, the compensation committee recommended annual base salaries for each of our named executive officers based on their overall individual performance in 2014, their increased level of experience and to ensure that their salaries remained competitive with those of similarly-situated executives in our peer group. For 2015, the annual base salary for each of our named executive officers was increased from his or her 2014 annual base salary as follows:

Executive	2014 Salary	2015 Salary	% Increase
Dr. Mark Pruzanski	\$ 550,000	\$ 600,000	9.09 %
Dr. David Shapiro	\$ 420,000	\$ 460,000	9.52 %
Barbara Duncan	\$ 385,000	\$ 415,000	7.79 %
Dr. Rachel McMinn	\$ 355,000	\$ 390,000	9.86 %
Lisa Bright		\$ 396,000	
Daniel Regan	\$ 360,000	\$ 360,000	

The change to the base salary of each named executive officer was effective as of January 1, 2015. Mr. Regan left the service of our company in March 2015. His prorated salary for 2015 was \$80,539 through his last day of employment. In 2015, Mr. Regan also received other compensation in connection with his separation in accordance with the terms of his employment agreement. Mr. Regan's employment agreement is described in Other Named Executive Officers under the discussion of Employment Agreements. Ms. Bright's 2014 salary and percentage increase are not listed in the table above because she did not become an executive officer until February 2015.

Please refer to Compensation Decisions Relating to Fiscal Year 2016 for a listing of the annual base salaries of each of our named executive officers for 2016.

**Annual target-based cash bonuses**

As part of our pay-for-performance philosophy, our annual target-based cash bonus program is designed to reward our named executive officers for the achievement of specified annual corporate objectives. At the beginning of each year, the bonus opportunity for each executive officer is established as a target percentage of his or her base salary. The actual annual cash bonus amounts payable to our executive officers are determined after year end based on the compensation committee's evaluation of performance against the corporate objectives and, in the case of our named executive officers other than Dr. Pruzanski, individual performance levels. Individual performance of the executive officers other than Dr. Pruzanski is determined by the compensation committee after considering the overall performance of the individual executive and taking into account the recommendations of the chief executive officer. The overall assessment by our compensation committee is based on the evaluation of objective metrics, such as the successful achievement of the applicable goal and the weightings ascribed to such goal, which is then adjusted to reflect other factors that may be pertinent to the performance of the company and the individual executive officer.

The annual corporate objectives include achievement of specific clinical, regulatory, commercial and precommercial, operational and/or financial milestones, with a focus on regulatory achievements, commercial and precommercial preparedness, the advancement of our product candidates in clinical development, the pursuit of various internal initiatives and ensuring adequate funding for our growth. The corporate objectives are proposed by senior management each year and reviewed and approved by our compensation committee and board of directors in the beginning of our fiscal year, with such modifications as the compensation committee and board of directors deem appropriate. The corporate objectives are designed to require significant effort and operational success on the part of our executives and Intercept, but also to be achievable with hard work and dedication.

Our compensation committee believes that a bonus program based on the evaluation of multiple corporate objectives and individual performance is best-suited for a biopharmaceutical company at our stage of development due to the uncertainties inherent in development, regulatory approval and commercialization of new drug treatments. Our compensation committee also considers the practices of our peer group and overall industry practices as part of its review of our bonus program. In order to better align bonus payouts with performance, the compensation committee may take additional significant corporate achievements into account for the current year's bonus calculation that were not contemplated at the time the current year corporate

27

---

## TABLE OF CONTENTS

objectives were determined. Our compensation committee also has the authority to shift corporate objectives to subsequent fiscal years and to eliminate them for the current year's bonus calculation if it determines that underachievement of a goal was primarily caused by circumstances that were beyond the executive's control or if it determines that the business priorities for the year had shifted.

Each of our compensation committee and our board of directors has authority, in its sole discretion, to review and approve management's evaluation of how our company performed against its corporate objectives and the recommended bonus payout levels. This authority includes the ability to rate the accomplishment of particular objectives at greater than 100% of target based on exceptional company performance. In any year, our executives can achieve up to 125% of target after factoring all potential performance achievements deemed by our compensation committee and our board of directors as exceeding applicable objectives and goals.

The target annual cash bonus for each executive officer is set by the compensation committee as a percentage of each executive officer's base salary. The target percentages approved by our compensation committee were based on an evaluation of peer group data, as well as consideration of the level of qualification and experience of each executive at Intercept as well as internal pay comparisons.

### **2015 Bonuses**

For 2015, our annual corporate objectives were as follows:

#### **Preparing for the Commercialization of Ocaliva for PBC:**

Acceptance of the NDA in the United States and the MAA in Europe;  
Preparation of a company-wide plan for the commercial launch of Ocaliva for PBC upon the receipt of marketing authorization in the United States and Europe; and

Obtain sufficient commercial supply of our product for the commercial launches of Ocaliva for PBC.

#### **Advance NASH Program:**

Obtain breakthrough therapy designation from the FDA;  
Reach a consensus on NASH registration program resulting in the initiation of our Phase 3 REGENERATE trial in non-cirrhotic NASH patients with liver fibrosis; and

Certain clinical development milestones for our NASH program.

#### **Advance Product Pipeline:**

Initiate a Phase 1 clinical trial for INT-767;  
Certain clinical development milestones for our programs for OCA in indications other than PBC and NASH; and  
Prepare a comprehensive development plan to advance our product pipeline.

#### **Build Corporate Infrastructure:**

Secure and retain key talent in light of our planned commercial and development activities in the United States and internationally; and

Maintain a strong financial position to support our commercial launch of Ocaliva for PBC and our development programs.

In January 2016, our compensation committee considered the performance of our company in light of the above goals, together with other information available to it, and determined that we achieved our 2015 corporate objectives at a level of 100%.

Our compensation committee did not set any specific individual performance targets for the payment of cash bonuses to our named executive officers in 2015. Instead, the compensation committee reviewed our company performance against our 2015 corporate objectives and also evaluated the individual performance of each named executive officer.

Dr. Pruzanski's bonus is determined solely based on the achievement of corporate goals, whereas the bonus for our other named executive officers is based on both our corporate goals and individual performance.

TABLE OF CONTENTS

The 2015 target and actual bonuses for each named executive officer were:

Executive	Target Bonus as % of Base Salary	Actual Bonus as % of Target
Mark Pruzanski, M.D.	70 %	100 %
David Shapiro, M.D.	40 %	100 %
Barbara Duncan	40 %	100 %
Rachel McMinn, Ph.D.	40 %	100 %
Lisa Bright	40 %	100 %
Daniel Regan*		

\* Mr. Regan left the service of our Company in March 2015 and therefore did not receive a 2015 bonus.

**Equity incentive awards**

Our equity award program is the primary vehicle for offering long-term incentives to our executives. We believe that equity awards provide our executives with a strong link to our long-term performance, create an ownership culture and help to align the long-term interests of our executives and our stockholders. In addition, we believe that equity awards with a time-based or performance-based vesting feature promote executive retention because this feature incentivizes our executive officers to remain in our employment during the vesting period.

To date, we have used equity awards both to compensate our executive officers in the form of new hire grants at their commencement of employment, and to provide ongoing long-term incentives to our named executive officers as our business has developed. We also generally plan to grant equity awards on at least an annual basis to all of our executive officers. Typically, stock options and shares of restricted stock granted to our executive officers vest over a period of four years, subject to continued employment. Subject to the terms of each executive officer's employment agreement as described below, vesting ceases upon termination of employment, and stock option exercise rights cease shortly after termination of employment. The exercise price for any Intercept stock option is set at no less than the fair market value of our common stock on the date of grant as determined by reference to the closing market price of our common stock on the date of grant.

**Annual equity awards**

In determining the size of the annual equity awards granted to our named executive officers, our compensation committee considers recommendations developed by our compensation consultant, including information regarding comparative stock ownership of, and equity awards received by, the executives in our peer group and our industry. In addition, our compensation committee considers each executive's individual performance, the extent to which such executive has vested previous equity awards, as well as our overall corporate performance and the potential for enhancing the long-term creation of value for our stockholders.

Equity awards to our named executive officers are typically granted annually in conjunction with the review of their individual performance and Intercept's overall performance for the previous year. This review typically occurs at meetings of the compensation committee held during the first quarter of each year, though the equity awards in 2015 were granted in October 2015. This allows the compensation committee to receive audited financial statements of the previous year before making award determinations.

In making annual equity awards for 2015, our compensation committee considered, among other things, the value of the annual equity awards received by executives in our peer group and our industry, the value of the annual equity awards as a percentage of company value and the size of the annual equity awards as a percentage of our company's outstanding stock, dilution to existing stockholders and the retention value in the outstanding equity program based on the value of outstanding unvested awards, all of which were considered in light of individual and company performance for the previous year, 2014. Based on the recommendation of our chief executive officer, and in consideration of our company's performance and the market performance of our common stock, our compensation committee determined that it would be appropriate to grant equity awards targeting the 50<sup>th</sup> percentile range of our peer group and industry, in contrast to a target between the 50<sup>th</sup> and 75<sup>th</sup> percentile used for grants made in 2014. To promote our

TABLE OF CONTENTS

pay-for-performance philosophy, individual equity awards were positioned higher or lower within the peer group range based on the individual performance of each named executive officer.

We believe that a mix of compensation components incentivizes consistently strong performance. In 2015, the compensation committee granted equity incentives in a mix of stock options and restricted stock. Our approach reflects what we believe is an appropriate equity mix, providing executives with exposure to downside stock-price risk through stock options while addressing the historically high volatility of our common stock through the restricted stock award component. This approach also helps manage overall dilution levels and the remaining equity pool available under our 2012 Equity Incentive Plan, or 2012 Plan, in light of our significant recent growth and continued expansion in company-wide headcount. We expect these two types of equity incentives to be part of the compensation mix on an annual basis.

**2015 Equity Awards**

In October 2015, as part of our annual grant process, our compensation committee approved the grant of certain time-based options to purchase shares of our common stock and shares of restricted stock to our named executive officers. Each of the time-based stock option awards and shares of restricted stock vested with respect to 25% of the shares on January 1, 2016, and vest with respect to the remaining shares in approximately equal monthly installments for the stock options and quarterly installments for the restricted stock through January 1, 2019. The time-based stock option awards have an exercise price of \$161.16 per share, the last reported sale price of our common stock on the NASDAQ Global Select Market on the date of grant.

Name	Time-Based Awards (# of Shares)	
	Options	Restricted Stock
Mark Pruzanski, M.D.	32,550	15,100
David Shapiro, M.D.	13,100	5,150
Barbara Duncan	10,600	4,050
Rachel McMinn, Ph.D.	10,600	4,050
Lisa Bright	13,450	5,200

**New hire equity awards**

We grant a new hire equity award in connection with the commencement of an executive's employment as appropriate and necessary to recruit talent, consistent with industry practice. The size of each new hire award is established through arm's-length negotiation at the time the executive is hired, taking into account the position for which the executive is being considered and the executive's qualifications, prior experience and compensation including forfeited equity awards, as well as external factors such as competitive market demand. Typically, the time-based stock options and restricted stock we grant to our newly-hired executive officers vest over a period of four years. In each case, subject to the terms of each executive officer's employment agreement as described below, vesting ceases upon termination of employment, and stock option exercise rights cease shortly after termination of employment.

**Benefits and other compensation**

We believe that establishing competitive benefit packages for our employees is an important factor in attracting and retaining highly qualified personnel. We maintain broad-based benefits that are provided to all employees, including medical, dental, group life insurance and long- and short-term disability insurance. For our U.S.-based executives, we

also provide a 401(k) plan. Under our 401(k) plan, we are permitted to make discretionary contributions and matching contributions, subject to established limits and a vesting schedule. Since 2015, we have matched an employee's contributions to the 401(k) plan up to the first five percent of the employee's salary. We provide pension, insurance and other benefits to executives located outside the United States in line with those provided to similar executives in their respective countries. All of our executives are eligible to participate in all of our employee benefit plans available in their respective countries, in each case on the same basis as other employees. The compensation committee in its discretion may revise, amend or add to the named executive officer's benefits and perquisites if it deems it advisable.

30

---



## TABLE OF CONTENTS

In particular circumstances, we may agree to reimburse an executive officer for certain expenses, such as commuting or travel expenses, as an additional incentive to join Intercept in a position where there is high market demand. Whether such expenses are covered and the amount of the reimbursement is determined on a case-by-case basis under the specific hiring circumstances. In 2015, we reimbursed Ms. Bright for her commuting costs, which reimbursement is capped at a maximum of £1,080 per month (approximately \$1,579), plus gross ups on the applicable tax amounts.

Ms. Bright and Dr. Shapiro also received a car allowance in 2015. See Summary Compensation Table.

### **Severance and change in control benefits**

Pursuant to employment agreements or arrangements we have entered into with our executive officers, our executive officers are entitled to specified benefits in the event of the termination of their employment under specified circumstances, including termination following a change in control of Intercept. Please refer to Narrative Disclosure to Summary Compensation Table for a more detailed discussion of these benefits. We have provided estimates of the value of the severance payments and other benefits that would have been made or provided to executive officers under various termination circumstances under the caption Potential Payments Upon Termination or Change in Control below.

We believe that providing these benefits helps us compete for executive talent. After reviewing the practices of companies represented our peer group, we believe that our severance and change in control benefits are generally in line with severance packages offered to executives of the companies in our peer group.

We have structured our change in control benefits as double trigger benefits. In other words, the change in control does not itself trigger benefits. Rather, benefits are paid only if the employment of the executive officer is terminated during a specified period after the change in control. We believe that a double trigger benefit is protective of stockholder value because it prevents an unintended windfall to executive officers in the event of a friendly change in control, while still providing them appropriate incentives to cooperate in negotiating any change in control in which they believe they may lose their jobs.

## **Our Compensation Process**

### **The Role of the Compensation Committee**

Our compensation committee oversees our policies governing the compensation of our executive officers. In this role, the compensation committee reviews and approves and recommends for approval to our full board of directors (other than our chief executive officer) all compensation decisions relating to our named executive officers. Our compensation committee consists of four members of our board of directors, each of whom has extensive experience in our industry and is an independent director under applicable NASDAQ and SEC rules. The compensation committee uses its judgment and experience to develop and make executive compensation recommendations to our full board of directors for approval, including its recommendation regarding our chief executive officer's compensation package. In doing so, the compensation committee meets with our independent compensation consultant, in executive session, without our chief executive officer or any other member of management present. The board of directors has full discretion to approve or modify the recommendations of the compensation committee. The compensation committee periodically evaluates the need for revisions to our executive compensation program to ensure our program is competitive with the companies with which we compete for executive talent.

**Management's Involvement in the Executive Compensation Process**

A small number of executives, including our chief executive officer, our senior vice president of human resources and our senior vice president of legal affairs, participate in general sessions of our compensation committee. Management does not participate in executive sessions of our compensation committee. At the request of the compensation committee, our chief executive officer provides input and recommendations to the compensation committee on salary adjustments, annual target-based cash bonus amounts and appropriate equity incentive compensation levels. In formulating these recommendations, our chief executive officer may consider data obtained from third-party sources, including data provided by a compensation consultant other than the compensation consultant retained by the compensation committee. Any data provided by separate compensation consultants used by management is either not customized specifically for Intercept or is

## TABLE OF CONTENTS

customized based on parameters that are not developed by such compensation consultant and about which such compensation consultant does not provide advice.

### **Use of Independent Compensation Consultants by the Compensation Committee**

In designing our executive compensation program, our compensation committee considers publicly available compensation data for U.S. companies in the biopharmaceutical industry to help guide its executive compensation decisions at the time of hiring and for subsequent adjustments in compensation. Our compensation committee also retained the services of Radford, an independent compensation consultant and a division of Aon Hewitt, which is a subsidiary of Aon plc, to provide it with additional comparative data on executive compensation practices in our industry and to advise it on our executive compensation program generally. For 2015, Radford provided advice and data to the compensation committee on executive and director compensation matters, including the selection of our peer group, comparative market pay levels, equity dilution and annual share utilization practices, incentive plan design and emerging market trends. Pearl Meyer & Partners, or PM&P, an independent compensation consultant, also advised the compensation committee in its evaluation and determination of the cash salary and bonus targets for 2015. Although the compensation committee considers the advice and recommendations of the compensation consultants about our executive compensation program, the compensation committee ultimately makes its own decisions about these matters.

The compensation committee regularly reviews the services provided by its outside consultants and performs an annual assessment on the independence of its compensation consultants to determine whether the compensation consultant is independent. The compensation committee conducted a specific review of its relationship with each of Radford and PM&P in 2015, and determined that each such advisor is independent in providing Intercept with executive and director compensation consulting services and that each such advisor's work for the compensation committee did not raise any conflicts of interest, consistent with SEC rules and NASDAQ listing standards.

### **Market Benchmarking and Peer Group**

Our compensation committee references a peer group of publicly traded companies in the biopharmaceutical industry for purposes of gathering data to compare with our existing executive compensation levels and practices and as context for future compensation decisions. The compensation committee periodically reviews and updates the compensation peer group, as appropriate, to include companies that the compensation committee believes are competitors for executive talent and that are similar to us in stage of development, market capitalization and number of employees. The compensation committee may consider peer group and other industry compensation data and the recommendations of our compensation consultant when making decisions related to executive compensation, ultimately giving consideration to the competitiveness of our compensation program, internal perceptions of equity and individual performance. The compensation committee also considered peer companies identified by proxy advisory firms in the prior year's proxy cycle.

The companies included in our peer group for 2015 were: ACADIA Pharmaceuticals Inc., Achillion Pharmaceuticals, Inc., Alnylam Pharmaceuticals, Inc., Clovis Oncology, Inc., Ironwood Pharmaceuticals, Inc., Merrimack Pharmaceuticals, Inc., NPS Pharmaceuticals, Inc., Ophthotech Corporation, Pharmacyclics, Inc., PTC Therapeutics, Inc., Puma Biotechnology, Inc., Receptos, Inc., Relypsa, Inc., Seattle Genetics Inc., Synageva BioPharma Corp. and Tesaro, Inc.

### **Annual Compensation Review Process**

At the end of each calendar year, the compensation committee considers each executive's performance for the completed year. This process includes the review of recommendations by our chief executive officer to the compensation committee with respect to each executive officer (other than himself) as to:

- the achievement of stated corporate performance objectives;
- the level of contributions made to the general management and guidance of Intercept; and
- the amount of any salary increases, cash bonus payouts and new equity awards.

32

---

TABLE OF CONTENTS

The compensation committee takes into consideration these recommendations and other relevant performance and competitive market factors when it makes its determination on executive compensation matters.

**Compensation Decisions Relating to Fiscal Year 2016**

In February 2016, in order to provide each of our named executive officers with base salaries that are competitive with our publicly traded peer companies, the annual base salaries of our named executive officers were increased as follows, effective January 1, 2016: for Dr. Pruzanski, to \$620,000; for Dr. Shapiro, to \$475,000; for Ms. Duncan, to \$430,000; for Ms. Bright to \$430,000 and for Dr. McMinn, to \$420,000. In addition, in February 2016, our board of directors approved bonus targets for our named executive officers for 2016 as follows: for Dr. Pruzanski, 70%; for Dr. Shapiro, 50%; for Ms. Duncan, 50%; for Ms. Bright, 50%; and for Ms. McMinn, 50%.

In February 2016, upon the recommendation of the compensation committee of the board of directors, equity grants were made to our named executive officers as follows: for Dr. Pruzanski, stock options to purchase 30,500 shares of common stock and 23,300 shares of restricted stock; for Dr. Shapiro, stock options to purchase 10,200 shares of common stock and 7,800 shares of restricted stock; for Ms. Duncan, stock options to purchase 8,100 shares of common stock and 6,200 shares of restricted stock; for Ms. Bright, stock options to purchase 10,200 shares of common stock and 7,800 shares of restricted stock; and for Dr. McMinn, stock options to purchase 8,800 shares of common stock and 6,700 shares of restricted stock. The exercise price for the options awarded to our executive officers is \$95.74 per share, the last reported sale price of our common stock on the NASDAQ Global Select Market on the date of the grant.

**Compensation Committee Report**

The compensation committee of the board of directors of Intercept Pharmaceuticals, Inc. has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with Intercept's management. Based on such review and discussions, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement.

By the compensation committee of the board of directors of Intercept Pharmaceuticals, Inc.

Gino Santini  
Srini Akkaraju, M.D., Ph.D.  
Klaus Veitinger, M.D., Ph.D.  
Daniel Welch

TABLE OF CONTENTS

## Summary Compensation Table

The following table sets forth information regarding compensation awarded to, earned by or paid to our named executive officers during the years ended December 31, 2015, 2014 and 2013.

For 2015 and 2014, our named executive officers were granted a target-based bonus. For 2013, Drs. Pruzanski and Shapiro and Ms. Duncan were granted both a target-based bonus and a special bonus for performance. The target-based bonuses were based on a target percentage of each named executive officer's base salary for the fiscal year and then adjusted based on pre-determined corporate goals as well as on a subjective evaluation of individual performance, except for our chief executive officer whose annual bonus was determined solely based on attainment of our company objectives. In 2015, the target-based bonus was based on the achievement of 100% of corporate goals, in the case of Dr. Pruzanski, and 100% of corporate goals and individual performance, in the case of our other named executive officers. In 2014, the target-based bonus was based on the achievement of 90% of corporate goals, in the case of Dr. Pruzanski, 90% of corporate goals and individual performance, in the case of Mr. Regan, and 98.75% of corporate goals and individual performance, in the case of our other named executive officers (prorated for Dr. McMinn). In 2013, the target-based bonus was based on the achievement of 150% of corporate goals, in the case of Dr. Pruzanski, and 150% of corporate goals and individual performance, in the case of Dr. Shapiro, Ms. Duncan and Mr. Regan (prorated for Mr. Regan).

The amounts in this column represent the aggregate grant date fair value of restricted stock units or restricted stock awards granted to the named executive officer computed in accordance with FASB ASC Topic 718. See Note 12 of the notes to our consolidated financial statements in our annual report on Form 10-K filed with the SEC on February 29, 2016 for a discussion of the assumptions used in determining the grant date fair values of equity awards. These amounts do not correspond to the actual value that will be recognized by the named executive officers.

The amounts in this column represent the aggregate grant date fair value of stock options granted to the named executive officer in the applicable fiscal year computed in accordance with FASB ASC Topic 718. See Note 12 of the notes to our consolidated financial statements in our annual report on Form 10-K filed with the SEC on February 29, 2016 for a discussion of the assumptions used in determining the grant date fair values of equity awards. These amounts do not correspond to the actual value that will be recognized by the named executive officers.

In 2014, our executive officers were granted performance vesting options to purchase our common stock. The value of the awards on the date of grant assuming the achievement of the highest level of

34

---

TABLE OF CONTENTS

performance conditions were as follows: Mark Pruzanski (\$5,046,700); David Shapiro (\$1,816,777); Barbara Duncan (\$1,463,545); Daniel Regan (\$1,413,146); and Rachel McMinn (\$1,412,806). The value of these options is determined as described in footnote 3 above.

(5) Amounts reflect payments made for health insurance coverage of Dr. Pruzanski and his family members, above the amounts generally paid for the coverage of our employees.

(6) For fiscal 2013, Dr. Pruzanski was awarded a target-based bonus of \$375,000 and a special bonus of \$100,000.

Amounts reflect a monthly car allowance of \$1,000 paid to Dr. Shapiro under the terms of his employment agreement, described below, and the payments of \$4,627, \$3,051 and \$2,874 made in 2015, 2014 and 2013, respectively, for health insurance coverage of Dr. Shapiro and his family members, above the amounts generally paid for the coverage of our employees. Also reflects a payment of \$13,250 in 2015 for employer matched 401(k) contributions.

Amounts reflect payments of \$7,918, \$8,527 and \$8,013 made in 2015, 2014 and 2013, respectively, for health insurance coverage of Ms. Duncan and her family members, above the amounts generally paid for the coverage of our employees. Also reflects a payment of \$13,250 in 2015 for employer matched 401(k) contributions.

Amounts reflect payments of \$3,258 and \$2,560 made in 2015 and 2014, respectively, for health insurance coverage of Dr. McMinn and her family members, above the amounts generally paid for the coverage of our employees. Also reflects a payment of \$13,250 in 2015 for employer matched 401(k) contributions.

(10) For fiscal 2013, Dr. Shapiro was awarded a target-based bonus of \$199,500 and a special bonus of \$50,000.

(11) For fiscal 2013, Ms. Duncan was awarded a target-based bonus of \$175,875 and a special bonus of \$50,000.

(12) Dr. McMinn commenced her employment with us in April 2014. Dr. McMinn was awarded a signing bonus of \$50,000, of which \$25,000 was paid in May 2014 and the remainder was paid in May 2015.

(13) Dr. McMinn's equity grants for 2014 reflect the larger amounts awarded for initial new-hire grants. Ms. Bright joined Intercept on November 2014 as the head of Europe. She became an executive officer of our company when she was promoted to the position of Chief Commercial and Corporate Affairs Officer in February 2015. Ms. Bright's compensation for 2014 is not provided in the table because she was not an executive officer for the 2014 period. Ms. Bright's cash compensation is paid in the British Pound equivalent of the approved U.S. Dollar amount.

(15) Amounts reflect the following payments: monthly car allowance of \$1,725 paid to Ms. Bright under the terms of her employment agreement; employer paid pension compensation of \$73,556; supplemental health coverage of \$27,217; and monthly commuting costs of \$1,579. See Narrative Disclosure to Summary Compensation Table for more information relating to additional compensation made to Ms. Bright.

(16) Mr. Regan departed from the service of our company in March 2015.

(17) Mr. Regan's prorated annual base salary for 2015 was \$80,539 through his last day of employment. Mr. Regan also received other compensation of \$269,999 in connection with his separation in accordance with the terms of his employment agreement as described below. See Narrative Disclosure to Summary Compensation Table.

(18) Reflects reimbursement of \$9,000 made in 2015 for Mr. Regan's apartment rent; \$7,918 for health insurance coverage of Mr. Regan and his family members, above the amounts generally paid for the coverage of our employees; \$14,538 for accrued paid time off and \$10,507 in 2015 for employer matched 401(k) contributions.

(19) Reflects payments of \$13,194 and \$29,427 made in 2014 and 2013, respectively, for Mr. Regan's commuting costs. Also reflects the payments of \$8,526 and \$6,720 made in 2014 and 2013, respectively, for health insurance coverage of Mr. Regan and his family members, above the amounts generally paid for the coverage of our employees.

(20) For fiscal 2013, Mr. Regan was awarded a target-based bonus of \$167,708, after giving effect to the proration applied to reflect the commencement of his employment with us in March 2013. Mr. Regan was not awarded a special bonus for 2013.

TABLE OF CONTENTS

## **Narrative Disclosure to Summary Compensation Table**

### **Employment Arrangements with Our Named Executive Officers**

*Mark Pruzanski, M.D.* Dr. Pruzanski's employment agreement provides for an initial term of one year with automatic renewal each year thereafter unless terminated by either us or Dr. Pruzanski. Dr. Pruzanski's base salary, effective as of January 1, 2016, was set at \$620,000 per year, subject to annual review and increase (but not decrease), as determined by our board of directors or the compensation committee. Dr. Pruzanski is also eligible to receive an annual bonus payment of up to 70% of his annual base salary, based on achievement of certain performance milestones identified by our board of directors in consultation with Dr. Pruzanski. During 2015 and 2014, Dr. Pruzanski's base salaries were \$600,000 and \$550,000, respectively. Dr. Pruzanski's 2015 salary was effective on January 1, 2015 and his 2014 salary was effective on April 1, 2014.

Dr. Pruzanski is also eligible to participate in our group benefits programs, including but not limited to medical, disability and life insurance, vacation and retirement plans, and a 401(k) plan sponsored by us. We initiated a 401(k) matching program for all of our employees in the United States, including our named executive officers, in 2015. We have agreed to pay 100% of the health insurance premiums of Dr. Pruzanski and his spouse and other dependents and an annual life insurance premium of \$10,000. During 2015, 2014 and 2013, although we paid the premium for Dr. Pruzanski's participation in our group life insurance policy, which is available generally to all employees, we did not purchase or pay premiums for any individual life insurance policy for Dr. Pruzanski. We are also required to purchase short-term and long-term disability policies insuring at least 60% of Dr. Pruzanski's base salary.

If Dr. Pruzanski terminates his employment with us or we terminate his employment for any reason, in addition to payment of accrued compensation and benefits, Dr. Pruzanski will be entitled to an amount equal to his target bonus for the prior year, if unpaid, and the prorated portion of his target bonus for the year in which his termination occurs. In the event that Dr. Pruzanski does not renew his employment at the end of the employment term, is terminated for cause, is terminated due to death or disability, or he terminates his employment without good reason, Dr. Pruzanski will not be entitled to any severance benefits except as otherwise described below or otherwise required by law.

In the event we do not renew Dr. Pruzanski's employment at the end of the employment term, Dr. Pruzanski is terminated by us without cause, as defined in the employment agreement, or he resigns with good reason, as defined in the employment agreement, Dr. Pruzanski will be entitled to receive (i) 12 months of his base salary payable according to our company's payroll, (ii) a lump sum payment equal to the mean bonus earned by him during the prior three years (such payment shall be in lieu of the prorated bonus payment for the year in which the termination occurs described above) and (iii) continuation of participation in our group health and/or dental plan and the payment of his premiums for 12 months from the date of termination (or the cost of COBRA coverage for such period) for Dr. Pruzanski, his spouse and any dependents covered under our group health and/or dental plan prior to termination.

If Dr. Pruzanski is terminated due to disability, he is entitled to (i) 12 months of base salary payable according to our company's payroll, so long as he is not eligible to participate in a company-sponsored short-term and long-term disability plans that provide for benefits of at least 60% of base salary, and (ii) continued participation in our group health and/or dental plan and the payment of his premiums for 12 months following the date of termination (or the cost of COBRA coverage for such period) for Dr. Pruzanski, his spouse and any dependents covered under our group health and/or dental plan prior to termination.

If we do not renew Dr. Pruzanski's employment at the end of the employment term, Dr. Pruzanski is terminated by us without cause, he resigns with good reason or Dr. Pruzanski is terminated due to his death or disability, all of Dr.



Pruzanski's stock options and equity awards will vest upon the effectiveness of a release of claims in our favor and his stock options will be exercisable for up to three years from the effective date of termination unless the stock plan pursuant to which the option is granted requires earlier termination. In the event that Dr. Pruzanski does not renew his employment at the end of the employment term, Dr. Pruzanski is terminated for cause or he terminates his employment without good reason, all of his unvested equity awards and stock options will immediately be forfeited upon the effective date of such termination and all of his

36

---

TABLE OF CONTENTS

vested stock options will be exercisable for up to three years from the effective date of termination unless the stock plan pursuant to which the option is granted requires earlier termination.

In the event of the termination of Dr. Pruzanski's employment in anticipation of, and/or within three months before or 12 months following, a change in control, as defined in the employment agreement, (i) by us because we do not renew Dr. Pruzanski's employment at the end of the employment term, (ii) by us for any reason other than for cause or (iii) by

Dr. Pruzanski for good reason, Dr. Pruzanski will be entitled to receive (a) an amount equal to 24 months' of his then-current monthly base salary payable as a single lump sum, (b) a lump sum payment equal to two times the mean bonus earned during the prior three years (such payment shall be in lieu of the prorated bonus payment for the year in which the termination occurs described above) and (c) continuation of participation in our group health and/or dental plan and the payment of his premiums for up to 24 (but not less than 18) months from the date of termination (or the cost of COBRA coverage for such period) for Dr. Pruzanski, his spouse and any dependents covered under our group health and/or dental plan prior to termination.

Receipt of the severance benefits described above is conditioned upon Dr. Pruzanski entering into a release of claims with us and the release becoming effective and irrevocable within 60 days after termination. Dr. Pruzanski has acknowledged and agreed that the timing of payments may be modified by us to comply with Section 409A of the Internal Revenue Code of 1986, as amended, or the Code.

To the extent that we are required to implement a clawback policy for the incentive compensation paid to Dr. Pruzanski based on erroneous data contained in an accounting statement pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Dr. Pruzanski's employment agreement contemplates that the terms of such policy will be incorporated into his employment agreement, provided that such policy applies to the other executive officers of our company.

Under Dr. Pruzanski's employment agreement, cause for termination shall be deemed to exist upon (a) a good faith finding by a majority of the members of the board (excluding Dr. Pruzanski) that (i) Dr. Pruzanski has engaged in material dishonesty, willful misconduct or gross negligence, or (ii) Dr. Pruzanski has materially breached the employment agreement, and has failed to cure such conduct or breach within 30 days after his receipt of written notice from us, or (b) Dr. Pruzanski's conviction or entry of nolo contendere to any crime involving moral turpitude, fraud or embezzlement, or any felony. Under Dr. Pruzanski's employment agreement, good reason is defined as a material change in duties, position, responsibilities or reporting requirements, relocation of Dr. Pruzanski's place of employment by more than 50 miles from his principal residence or place of employment prior to such change or our material breach of the employment agreement.

**Other Named Executive Officers.**

The base salary of our named executive officers other than Dr. Pruzanski whom we refer to as the non-CEO named executive officers, is subject to annual review and increase (but not decrease), as determined by our board of directors and the compensation committee. Each of our non-CEO named executive officers is also eligible to receive an annual bonus based on a target percentage set by our board of directors and the compensation committee in consultation with our chief executive officer. During 2015 and 2014, Dr. Shapiro's base salaries were \$460,000 and \$420,000, respectively. Dr. Shapiro's 2015 salary was effective on January 1, 2015 and his 2014 salary was effective on April 1, 2014. During 2015 and 2014, Ms. Duncan's base salaries were \$415,000 and \$385,000, respectively. Ms. Duncan's 2015 salary was effective on January 1, 2015 and her 2014 salary was effective on April 1, 2014.

The following table sets forth the base salary and bonus target percentages for 2016 for each of our non-CEO named

Edgar Filing: INTERCEPT PHARMACEUTICALS INC - Form DEF 14A

executive officers, other than Mr. Regan who ceased to be employed with us in March 2015:

Name	2016 Base Salary	2016 Bonus	Target
David Shapiro, M.D.	\$ 475,000	50	%
Barbara Duncan	\$ 430,000	50	%
Lisa Bright	\$ 430,000	50	%
Rachel McMinn, Ph.D.	\$ 420,000	50	%

37

---

TABLE OF CONTENTS

We maintain broad-based benefits that are provided to all employees, including our executive officers, such as medical, dental, group life insurance and long- and short-term disability insurance. For our U.S.-based employees, including our U.S.-based executives, we also provide a 401(k) plan. Under our 401(k) plan, we are permitted to make discretionary contributions and matching contributions, subject to established limits and a vesting schedule. Starting in 2015, we generally match an employee's contributions to the 401(k) plan up to the first five percent of the employee's salary. We provide pension, insurance and other benefits to employees and executives located outside the United States in line with those provided in their respective countries to personnel of similar level and experience. All of our executives are eligible to participate in all of our employee benefit plans available in their respective countries, in each case on the same basis as other employees. We have agreed to pay 100% of the health insurance premiums of our named executive officers and their respective spouses and other dependents. For Dr. Shapiro, we provide a monthly car allowance of \$1,000. For Ms. Bright, we provide a monthly car allowance of £1,180 (approximately \$1,725) and we reimburse her £1,080 (approximately \$1,579) per month for commuting costs plus gross ups on the applicable tax amounts for commuting. The compensation committee in its discretion may revise, amend or add to the named executive officer's benefits and perquisites if it deems it advisable.

**David Shapiro & Rachel McMinn**

The employment agreements of Dr. Shapiro and Dr. McMinn provide for an initial term of one year with automatic renewal each year thereafter unless terminated by either us or them. In the event we do not renew Dr. Shapiro's or Dr. McMinn's employment at the end of his or her employment term, such named executive officer is terminated by us without cause, as defined in the employment agreement, or he or she resigns with good reason, as defined in the employment agreement, such named executive officer will be entitled to receive (i) 12 months of his or her base salary (paid in a single lump sum in the case of Dr. Shapiro and in accordance with regular payroll for Dr. McMinn) and (ii) continuation of participation in our group health and/or dental plan and the payment of his or her premiums for 12 months (or the cost of COBRA coverage for such period) for such named executive officer and his or her dependents covered under our group health and/or dental plan prior to termination. In the event that Dr. Shapiro or Dr. McMinn does not renew his or her employment at the end of the employment term, is terminated for cause, is terminated due to death or disability, or terminates his or her employment without good reason, such named executive officer will not be entitled to severance payments unless mutually agreed upon in writing.

If we do not renew the employment of Dr. Shapiro or Dr. McMinn at the end of their respective employment terms, such named executive officer is terminated by us without cause or he or she resigns with good reason, all of such named executive officer's equity awards and stock options that would have vested within one year of the termination date will vest upon effectiveness of a release of claims in our favor and all vested stock options will be exercisable for up to one year from the effective date of termination unless the stock plan pursuant to which the option is granted requires earlier termination.

In the event of the termination of Dr. Shapiro's or Dr. McMinn's employment, in anticipation of, and/or within 12 months following, a change in control (i) by us because we do not renew such named executive officer's employment at the end of the employment term, (ii) by us without cause or (iii) by such named executive officer for good reason, such named executive officer will be entitled to receive (a) an amount equal to 12 months of his or her then-current monthly base salary payable as a single lump sum and (b) continuation of participation in our group health and/or dental plan and the payment of his or her premiums for 12 months (or the cost of COBRA coverage for such period) for such named executive officer, his or her spouse and any dependents covered under our group health and/or dental plan prior to termination. In such instances of termination, all of such named executive officer's unvested equity awards and stock options will, upon effectiveness of a release of claims in our favor, become fully vested and all of his or her vested stock options will be exercisable for a period of one year following the effective date of termination unless the stock plan pursuant to which the option is granted requires earlier termination.

In the event that either Dr. Shapiro or Dr. McMinn is terminated for cause or such named executive officer terminates his or her employment without good reason, all unvested equity awards and stock options granted will immediately be forfeited and all vested options will be exercisable for up to 90 days following termination unless the stock plan pursuant to which the option is granted requires earlier termination.

TABLE OF CONTENTS

Receipt of the severance benefits described above is conditioned upon the Dr. Shapiro or Dr. McMinn, as the case may be, entering into a release of claims with us and the release becoming effective and irrevocable within 60 days after termination. Each of Dr. Shapiro or Dr. McMinn has acknowledged and agreed that the timing of payments may be modified by us to comply with Section 409A of the Code.

To the extent that we are required to implement a clawback policy for the incentive compensation paid to executive officers based on erroneous data contained in an accounting statement pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, each of Dr. Shapiro and Dr. McMinn's employment agreements contemplate that the terms of such policy will be incorporated into his or her employment agreement, provided that such policy applies to the other executive officers of our company.

Under the employment agreements of Dr. Shapiro and Dr. McMinn, cause for termination shall be deemed to exist upon (a) a good faith finding by us that (i) the named executive officer has engaged in material dishonesty, willful misconduct or gross negligence, (ii) the named executive officer has materially breached the employment agreement, or (iii) the named executive officer has breached or threatened to breach his or her invention, non-disclosure and non-solicitation agreement, and has failed to cure such conduct or breach within 30 days after his or her receipt of written notice from us, or (b) the named executive officer's conviction or entry of nolo contendere to any crime involving moral turpitude, fraud or embezzlement, or any felony. Under the employment agreements, good reason is defined as a material change in duties, position, responsibilities or reporting requirements, a relocation of the named executive officer's place of employment by more than 50 miles from his or her principal residence or place of employment immediately prior to such change or our material breach of the employment agreement.

**Lisa Bright**

Ms. Bright's employment agreement, which was effective in November 2014, will continue until it is either terminated by Ms. Bright by giving us six months' written notice, or terminated by us by giving Ms. Bright six months' written notice. In the event that Ms. Bright is terminated for equity cause, is terminated due to death or disability, or terminates her employment without equity good reason, she will not be entitled to severance payments unless mutually agreed upon in writing.

If Ms. Bright terminates her employment for equity good reason or if she is terminated by us without equity cause, all unvested stock options and other equity awards that would have otherwise vested within one year of Ms. Bright's termination, shall vest on the date that a settlement agreement between us and Ms. Bright becomes effective, and Ms. Bright shall have until the earlier of the expiration date of the option or one year from her date of termination to exercise all vested options unless the stock plan pursuant to which the option is granted requires earlier termination. In the event that Ms. Bright is terminated for equity cause or she terminates her employment without equity good reason, or if she is terminated by reason of disability, all unvested equity awards and stock options will immediately be forfeited.

In the event of the termination of Ms. Bright's employment in anticipation of, and/or within 12 months following, a change in control, provided Ms. Bright executes a settlement agreement and the settlement agreement becomes effective and irrevocable within sixty days of termination, all of Ms. Bright's unvested equity awards and stock options will immediately become fully vested and all of her vested stock options will be exercisable for a period of one year following the effective date of termination, unless the provisions contained in our equity incentive plan require earlier termination in connection with a liquidation or sale of our company.

Under Ms. Bright's employment agreement, equity cause for termination shall be deemed to exist upon (a) a good faith finding by us that (i) Ms. Bright has engaged in material dishonesty, willful misconduct or gross negligence, (ii) Ms.

Bright has breached or threatened to breach an agreement between herself and us related to intellectual property, non-disclosure or non-solicitation of our employees or customers, (iii) Ms. Bright has materially breached the employment agreement and failed to cure such breach within thirty (30) days after receipt of written notice of such breach of written notice from us, or (iv) Ms. Bright's conviction or entry of nolo contendere to any crime involving fraud, bribery, embezzlement or any other criminal offense. Under the employment agreement, equity good reason is defined as a material change in duties, position, responsibilities or reporting requirements, a relocation of Ms. Bright's place of employment

39

---

TABLE OF CONTENTS

by more than 50 miles from his or her principal residence or place of employment immediately prior to such change or our material breach of the employment agreement.

**Barbara Duncan**

The terms of Ms. Duncan's employment agreement are substantially similar to those of the employment agreements of Dr. Shapiro and Dr. McMinn described above. In January 2016, as previously disclosed, Ms. Duncan announced her planned departure from her role as our chief financial officer and treasurer. In accordance with such planned departure, in February 2016, we entered into a transition agreement and release with Ms. Duncan. Pursuant to the terms of the transition agreement, Ms. Duncan will continue to serve as our chief financial officer until June 30, 2016 or such earlier date determined by our chief executive officer and mutually agreed upon by Ms. Duncan. We refer to the date of her separation as the separation date and the period of her employment as the employment period. The parties may also agree to delay the separation date if no successor chief financial officer is in the office by June 30, 2016. During the employment period, Ms. Duncan will continue to receive her annual base salary and participate in our benefit plans and programs. Ms. Duncan is also eligible for a pro-rated bonus for 2016 equal to 40% of her pro-rated 2016 salary. Additionally, from the separation date through July 1, 2017 or a date that is one year following the separation date beyond June 30, 2016, which one year period we refer to as the consulting period, Ms. Duncan has agreed to provide consulting services to us on an as-requested basis. Compensation for the consulting period will be paid to Ms. Duncan at a rate of \$500 per hour (to a maximum of \$40,000 per month even if working in excess of 80 hours in such month) upon presentation of invoices in a form reasonably acceptable to us. We plan to enter into a separate consulting agreement with Ms. Duncan on or before the separation date.

In consideration of Ms. Duncan's release of any claims against us, Ms. Duncan will be entitled to the following severance and other benefits following the end of her employment period: (i) annual base salary paid monthly for 12 months, which payments will be delayed six months in compliance with Section 409A of the Internal Revenue Code; (ii) a lump sum payment of 40% of such base salary; and (iii) reimbursement for the employer portion of the premiums for COBRA coverage for Ms. Duncan and her dependents under our company's subsidized health benefits for a period of 12 months following the separation date or earlier if Ms. Duncan ceases to be eligible for COBRA, or chooses not to elect such coverage. Ms. Duncan will also be entitled to the following in relation to her equity awards: (a) continued vesting of options until the end of her consulting period, or initial vesting date, and accelerated vesting for all unvested time-based options that were scheduled, by their terms, to vest on or before one year following the end of her consulting period, or the extended vesting date; (b) all unvested performance based options shall be extended through the initial vesting date but will only become vested to the extent that performance targets are satisfied during that time; and (c) restricted stock and restricted stock units will continue to vest through the initial vesting date, and all unvested restricted stock and restricted stock units that were scheduled, by their terms, to vest on or before the extended vesting date, will be accelerated; and (d) if there is a change in control as defined in the respective award agreements, before the end of her consulting period such that the change in control is effective within three months following the conclusion of her consulting period, any unvested options, shares of restricted stock and restricted stock units will be accelerated.

**Daniel Regan**

Mr. Regan left the service of our company in March 2015. Pursuant to the terms of Mr. Regan's employment agreement, he received (i) an aggregate cash payment of \$360,000 corresponding to his salary for 12 months in accordance with our regular payroll, (ii) reimbursement of \$9,000 for his apartment rent, (iii) the premiums for the health and dental insurance for himself and his spouse and dependents, and (iv) the acceleration of 32,500 shares underlying the options granted in 2013, 430 shares underlying the time-vesting options granted in 2014 and 352 shares underlying the restricted stock awards granted in 2014.



## **Non-Competition, Confidential Information and Assignment of Inventions Agreements**

Dr. Pruzanski is a party to a non-competition and non-solicitation agreement with us, which prevents him from competing with us or soliciting our employees or independent contractors during his employment and for a one-year period thereafter. In addition, each of our named executive officers has also entered into an agreement that contains provisions relating to confidential information, non-solicitation and assignment of inventions. Among other things, these provisions obligate each named executive officer to refrain from

TABLE OF CONTENTS

disclosing any of our proprietary information received during the course of employment and soliciting our employees and to assign to us any inventions conceived or developed during the course of employment.

## 2015 Fiscal Year Grants of Plan-Based Awards

The following table sets forth information regarding grants of plan-based awards to our named executive officers during 2015. All equity awards in 2015 were issued under our 2012 Plan.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/share) <sup>(1)</sup>	Grant Date Fair Value of Stock and Option Awards <sup>(2)</sup>
Mark Pruzanski	10/01/2015	15,100			\$ 2,255,185
	10/01/2015		32,550	\$ 161.16	\$ 2,841,753
David Shapiro	10/01/2015	5,150			\$ 769,153
	10/01/2015		13,100	\$ 161.16	\$ 1,143,686
Barbara Duncan	10/01/2015	4,050			\$ 604,868
	10/01/2015		10,600	\$ 161.16	\$ 925,424
Rachel McMinn	10/01/2015	4,050			\$ 604,868
	10/01/2015		10,600	\$ 161.16	\$ 925,424
Lisa Bright	10/01/2015	5,200			\$ 776,620
	10/01/2015		13,450	\$ 161.16	\$ 1,174,242

(1) Equal to the closing market price of our common stock on the date of grant.

(2) The amounts in the Grant Date Fair Value of Option Awards column reflect the grant date fair value of option and restricted stock awards granted in 2015 calculated in accordance with ASC 718.

## 2015 Option Exercises and Stock Vested

The following table shows information regarding exercises of options to purchase our common stock and vesting of stock awards held by each of our named executive officer during the year ended December 31, 2015.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Mark Pruzanski	6,561		23,452	4,825,666
David Shapiro	22,014		7,898	1,625,911
Barbara Duncan			6,600	1,356,326

Edgar Filing: INTERCEPT PHARMACEUTICALS INC - Form DEF 14A

Rachel McMinn		1,846	439,999
Lisa Bright		2,097	385,051
Daniel Regan	5,306	705	156,624

41

---

TABLE OF CONTENTS**Outstanding Equity Awards at 2015 Fiscal Year-End**

The following table shows grants of restricted stock units or awards, stock options and grants of unvested stock awards outstanding on the last day of the fiscal year ended December 31, 2015 to each of our named executive officers.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options	Option Exercise Price (\$/share)	Option Expiration Date	Number of Stock Units That Have Not Vested (#) <sup>(1)</sup>	Market Value of Stock Units That Have Not Vested (\$) <sup>(2)</sup>	
(a)	(b)	(c)	(e)	(f)	(g)	(h)
Mark Pruzanski	12,500		9.83	7/18/2016		
	8,411		9.83	9/18/2018		
	116,628		8.67	8/16/2020		
	34,404		8.67	10/13/2021		
	46,158	1,082	<sup>(3)</sup> 21.50	11/16/2022		
	47,396	13,845	<sup>(4)</sup> 31.90	5/7/2023		
	2,747	2,654	<sup>(7)</sup> 266.01	4/11/2024		
		22,931	<sup>(11)</sup> 266.01	4/11/2024		
		32,550	<sup>(12)</sup> 161.16	10/01/2025		
					4,868	<sup>(5)</sup> 727,036
David Shapiro	2,235		8.67	10/13/2021		
	9,475	361	<sup>(3)</sup> 21.50	11/16/2022		
	16,187	6,094	<sup>(4)</sup> 31.90	5/7/2023		
	879	956	<sup>(7)</sup> 266.01	4/11/2024		
		8,255	<sup>(11)</sup> 266.01	4/11/2024		
		13,100	<sup>(12)</sup> 161.16	10/01/2025		
					1,623	<sup>(5)</sup> 242,395
					937	<sup>(6)</sup> 139,941
					846	<sup>(8)</sup> 126,350
					5,100	<sup>(13)</sup> 769,153
Barbara Duncan	19,520		9.82	5/18/2019		
	6,940		8.67	8/16/2020		
	13,413		8.67	10/13/2021		
	8,077	288	<sup>(3)</sup> 21.50	11/16/2022		
	8,781	6,094	<sup>(4)</sup> 31.90	5/7/2023		
	879	956	<sup>(7)</sup> 266.01	4/11/2024		
		6,650	<sup>(11)</sup> 266.01	4/11/2024		
		10,600	<sup>(12)</sup> 161.16	10/01/2025		

1,298	(5)	193,856
937	(6)	139,941
846	(8)	126,350
4,050	(13)	604,868

TABLE OF CONTENTS

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options	Option Exercise Price (\$/share)	Option Expiration Date	Number of Stock Units That Have Not Vested (#) <sup>(1)</sup>	Market Value of Stock Units That Have Not Vested (\$) <sup>(2)</sup>	
(a)	(b)	(c)	(e)	(f)	(g)	(h)
Rachel McMinn	2,502	3,502 <sup>(9)</sup>	264.12	4/30/2024		
		6,467 <sup>(11)</sup>	264.12	4/30/2024		
		10,600 <sup>(12)</sup>	161.16	10/01/2025		
					3,077 <sup>(10)</sup>	459,550
					4,050 <sup>(13)</sup>	604,868
Lisa Bright	2,771	7,461 <sup>(14)</sup>	155.00	11/24/2024		
		10,839 <sup>(11)</sup>	155.00	11/24/2024		
		13,450 <sup>(12)</sup>	161.16	10/01/2025		
					6,290 <sup>(15)</sup>	939,412
					5,200 <sup>(13)</sup>	776,620
Daniel Regan	37,969		37.69	5/7/2023		
	932		266.01	4/11/2025		

Represents either restricted stock awards or restricted stock units, or RSUs. Each RSU represents the contingent (1) right to receive one share of common stock upon vesting of the unit. All restricted stock awards and RSUs were granted under the 2012 Plan.

Computed in accordance with SEC rules as the number of unvested restricted stock awards or RSUs multiplied by the closing market price of our common stock at the end of the 2015 fiscal year, which was \$149.35 on December (2) 31, 2015 (the last business day of the 2015 fiscal year). This amount does not represent our accounting expense for these awards during the year and does not correspond to the actual cash value that may be recognized. The actual value (if any) to be realized by the officer depends on whether the restricted stock awards or RSUs vest and the future performance of our common stock.

(3) Shares underlying these options vested fully on January 1, 2016.

(4) Shares underlying the options vest pro rata on a monthly basis through January 1, 2017, subject to the terms and conditions of the award and the 2012 Plan.

(5) The remainder of the shares underlying the RSUs were fully vested on January 1, 2016.

(6) The remainder of the shares underlying the RSUs vest pro rata on a quarterly basis through January 1, 2017, subject to the terms and conditions of the award and the 2012 Plan.

(7) The remainder of the shares underlying this option vest pro rata on a monthly basis through January 1, 2018, subject to the terms and conditions of the award and the 2012 Plan.

(8) The remainder of the shares underlying the restricted stock awards vest pro rata on every subsequent three-month anniversary of the initial vesting date through January 1, 2018, subject to the terms and conditions of the award and the 2012 Plan.

(9) The remainder of the shares underlying this option vest pro rata on a monthly basis through April 30, 2018, subject to the terms and conditions of the award and the 2012 Plan.

(10) 25% of the shares underlying these restricted stock awards vested on April 30, 2015, and the remainder of the shares underlying the restricted stock awards vest pro rata on each three-month anniversary thereof through April 30, 2018, subject to the terms and conditions of the award and the 2012 Plan.

(11)

The shares underlying this option to purchase common stock vest upon the achievement of certain regulatory milestones related to OCA at future dates.

25% of the shares underlying this option vested on January 1, 2016, and the remainder of the shares underlying (12) this option vest pro rata on a monthly basis through January 1, 2019, subject to the terms and conditions of the award and the 2012 Plan.

(13) 25% of the shares underlying these restricted stock awards vested on January 1, 2016, and the remainder

43

---

TABLE OF CONTENTS

of the shares underlying the restricted stock awards vest pro rata on each three-month anniversary thereof through January 1, 2019, subject to the terms and conditions of the award and the 2012 Plan.

25% of the shares underlying this option vested on November 24, 2015, and the remainder of the shares (14) underlying this option vest pro rata on a monthly basis through November 24, 2018, subject to the terms and conditions of the award and the 2012 Plan.

25% of the shares underlying these restricted stock awards vested on November 24, 2015, and the remainder of the shares underlying the restricted stock awards vest pro rata on every subsequent three-month anniversary of the (15) initial vesting date through November 24, 2018, subject to the terms and conditions of the award and the 2012 Plan.

## Potential Payments Upon Termination or Change in Control

The following tables set forth information regarding potential payments that each named executive officer who was serving as an executive officer as of December 31, 2015 would have received if the named executive officer's employment had terminated as of December 31, 2015 under the circumstances set forth below. See Narrative Disclosure to Summary Compensation Table for a narrative description of the compensation to which any of our named executive officers would be entitled to upon termination.

The value of stock options with accelerated vesting represents the value of unvested stock options, calculated by multiplying the number of shares subject to the accelerated portion of the option by the amount (if any) by which \$149.35, the closing market price of our common stock on December 31, 2015, exceeds the exercise price of such option. The value of RSUs and restricted stock grants is calculated by multiplying the number of shares subject to acceleration by \$149.35, the closing price of our common stock on December 31, 2015.

### Non-Renewal by Company or Termination Without Cause or For Good Reason Without Change in Control

Name	Cash Payment	Value of Equity Accelerated	Other Benefits
Mark Pruzanski	1,104,617	5,942,213	4,627
David Shapiro	531,583	1,453,859	4,627
Barbara Duncan	450,083	1,324,150	7,918
Rachel McMinn	413,190	448,498	3,258
Lisa Bright	201,718	652,958	

### Termination Due to Disability Without Change in Control

Name	Cash Payment	Value of Equity Accelerated	Other Benefits
Mark Pruzanski	697,200	5,942,213	4,627
David Shapiro	71,583		
Barbara Duncan	35,083		
Rachel McMinn	23,190		
Lisa Bright	201,718		



## Termination Due to Death Without Change in Control

Name	Cash Payment	Value of Equity Accelerated	Other Benefits
Mark Pruzanski	97,200	5,942,213	
David Shapiro	71,583		
Barbara Duncan	35,083		
Rachel McMinn	23,190		
Lisa Bright	3,718		

44

---

TABLE OF CONTENTS**Non-Renewal by Company or Termination Without Cause or For Good Reason Upon Change in Control**

Name	Cash Payment	Value of Equity Accelerated	Other Benefits
Mark Pruzanski	2,112,034	5,942,213	9,254
David Shapiro	531,583	2,039,733	4,627
Barbara Duncan	450,083	1,762,492	7,918
Rachel McMinn	413,190	1,064,417	3,258
Lisa Bright	201,718	1,716,032	

**Director Compensation**

The following table sets forth the compensation we paid to our non-employee directors during 2015.

Name <sup>(1)</sup>	Fees Earned or Paid in Cash <sup>(2)</sup>	Stock Awards <sup>(3)(4)</sup>	Option Awards <sup>(3)(5)</sup>	Total
Srinivas Akkaraju, M.D., Ph.D. <sup>(6)(8)</sup>	\$ 52,473	\$ 116,525	\$ 172,347	\$ 341,345
Luca Benatti, Ph.D. <sup>(6)(8)</sup>	47,240	116,525	172,347	336,112
Paolo Fundaro <sup>(6)(8)</sup>	53,140	116,525	172,347	342,012
Sanj K. Patel <sup>(8)</sup>	40,531			40,531
Gino Santini <sup>(7)(8)</sup>	5,555	227,599	349,360	582,514
Glenn Sblendorio <sup>(6)(8)</sup>	48,193	116,525	172,347	337,065
Jonathan T. Silverstein <sup>(6)(8)</sup>	66,749	116,525	172,347	355,621
Klaus Veitinger, M.D. <sup>(6)(8)</sup>	47,860	116,525	172,347	336,732
Daniel Welch <sup>(7)(8)</sup>	5,118	227,599	349,360	582,077
Nicole S. Williams <sup>(8)</sup>	49,538			49,538

Dr. Pruzanski has been omitted from this table because he received no compensation for serving on our board of directors. Dr. Pruzanski's compensation as President and Chief Executive Officer for 2015 is detailed in Summary (1) Compensation Table above. Messrs. Santini and Welch joined our board of directors in November 2015. Mr. Patel and Ms. Williams left the service of our board of directors in November 2015 upon the completion of our 2015 annual meeting of stockholders.

(2) Includes the annual retainer paid to each director.

(3) The amounts in these columns represent the aggregate grant date fair value of stock awards and option awards granted to the director during 2015 computed in accordance with FASB ASC Topic 718. See Note 12 of the notes to our consolidated financial statements in our annual report on Form 10-K filed with the SEC on February 29, 2016 for a discussion of assumptions made by us in determining the grant date fair value of our equity awards.

(4) During the year ended December 31, 2015, the above-listed directors received restricted stock awards for the following number of shares of our common stock: Dr. Akkaraju (650); Dr. Benatti (650); Mr. Fundaro (650); Mr. Santini (1,300); Mr. Sblendorio (650); Mr. Silverstein (650); Dr. Veitinger (650); and Mr. Welch (1,300). The restricted stock grants in 2015 to our outside directors were made under the 2012 Plan.

(5) During the year ended December 31, 2015, we granted to our non-employee directors options to purchase common stock at an exercise price of \$183.62 per share in the following amounts: Dr. Akkaraju (1,750); Dr. Benatti (1,750);

Mr. Fundaro (1,750); Mr. Santini (3,500); Mr. Sblendorio (1,750); Mr. Silverstein (1,750); Dr. Veitinger (1,750); and Mr. Welch (3,500). The options grants in 2015 to our outside directors were made under the 2012 Plan. All of the shares of common stock underlying the options and restricted stock awards will vest in July 2016, subject to the terms and conditions of the 2012 Plan; provided, however, that if the 2016 annual meeting of (6) stockholders is held prior to the one year anniversary date from the grant, the equity grants will vest as of the close of business on the day immediately preceding such annual meeting date. The grants will vest in full immediately prior to a change in control of our company.

All of the shares of common stock underlying the options and restricted stock awards will vest annually over three (7) years on the anniversary date the director was first elected or appointed to our board of directors, subject to the terms and conditions of the 2012 Plan and our non-employee director

45

---

TABLE OF CONTENTS

compensation policy; provided, however, if the next subsequent annual stockholder meeting date (starting from the annual stockholder meeting date in the year after the initial equity grants are made) is held prior to the anniversary in that year, the annual vesting for such year will occur on the day immediately preceding the date of the annual stockholder meeting date in such year, subject to the non-employee director's continued service on our board. The grants will vest in full immediately prior to a change in control of our company.

(8) As of December 31, 2015, our directors and former directors had outstanding options to purchase common stock and outstanding restricted stock units or awards as set forth below:

Name	Stock Options	Restricted Stock
Srinivas Akkaraju, M.D., Ph.D.	8,004	650
Luca Benatti	2,301	951
Paolo Fundaro	10,754	650
Sanj K. Patel	184	
Gino Santini	3,500	1,300
Glenn Sblendorio	2,301	951
Jonathan Silverstein	15,327	650
Klaus Veitinger, M.D., Ph.D.	9,977	650
Daniel Welch	3,500	1,300
Nicole Williams	20,070	

All directors are eligible to receive reimbursement for reasonable out-of-pocket expenses incurred in connection with attendance at meetings of our board of directors, and our non-employee directors are also eligible to receive reimbursement, upon approval of the board of directors or a committee thereof, for reasonable out-of-pocket expenses incurred in connection with attendance at various conferences or meetings with our management.

In February 2016, our board of directors adopted a revised non-employee director compensation policy. Pursuant to the revised policy, our non-employee directors will receive the following cash compensation for service on our board of directors and our board committees effective as of the date of adoption:

Board of Directors or Committee of Board of Directors	Annual Retainer Amount for Chair	Annual Retainer Amount for Other Members
Board of Directors	\$ 75,000	\$ 50,000
Audit Committee	\$ 20,000	\$ 10,000
Compensation Committee	\$ 15,000	\$ 7,500
Nominating and Governance Committee	\$ 10,000	\$ 5,000
R&D Committee	\$ 10,000	\$ 5,000

In addition, our non-employee directors who have served on our board of directors for at least six months prior to an annual meeting of stockholders will receive options to purchase common stock and shares of restricted stock based on the following valuations:

Stock Options  
\$232,045

Restricted Stock  
\$174,787

The equity grants will vest on the one-year anniversary of the date of grant, subject to the non-employee director's continued service on our board of directors; provided, however, that if the next subsequent annual meeting of stockholders is held prior to the one year anniversary date from the grant, the equity grants shall vest as of the close of business on the day immediately preceding such annual meeting date, subject to the non-employee director's continued service on our board. The grants will vest in full immediately prior to a change in control of our company.

46

---

TABLE OF CONTENTS

Newly appointed non-employee directors will be granted a non-qualified stock option under the 2012 Plan to purchase shares of our common stock equivalent to \$464,090 in value and shares of restricted stock equivalent to \$349,575 in value. The grant will be made automatically and without any action on the part of our board of directors on the first annual meeting of stockholders immediately following the appointment of the new non-employee director; provided, however, that if the new non-employee director is initially elected at an annual meeting, the date of grant will be the annual meeting date upon which the non-employee director was initially elected to our board of directors. The equity grants will vest annually over three years on the anniversary of the date the non-employee director was first elected or appointed to our board of directors, subject to the non-employee director's continued service on our board of directors; provided, however, if the next subsequent annual meeting date (starting from the annual meeting date in the year after the initial equity grants are made) is held prior to the anniversary date in that year, the annual vesting for such year will occur on the day immediately preceding the date of the annual meeting in such year, subject to the non-employee director's continued service on our board of directors. The grants will vest in full immediately prior to a change in control of our company.

## Equity Compensation Plan Information

The following table provides certain aggregate information with respect to all of the Company's equity compensation plans in effect as of December 31, 2015.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the Second Column)
Equity compensation plans approved by security holders	1,541,164 <sup>(1)</sup>	\$ 108.49	1,223,693 <sup>(2)</sup>
Equity compensation plans not approved by security holders			
Total	1,541,164	108.49	1,223,693

Consists of options to purchase 257,837 shares of common stock under our 2003 Stock Incentive Plan, or 2003

(1) Plan, and options to purchase 1,104,747 shares of common stock and RSUs and restricted stock awards for 178,580 shares of common stock under our 2012 Plan.

(2) Consists of shares available under our 2012 Plan, as no shares are available under our 2003 Plan. Our 2012 Plan contains an evergreen provision, which allows for an annual increase in the number of shares of our common stock available for issuance under the plan on the first day of each fiscal year. The annual increase in the number of shares shall be equal to the lowest of: (i) 1,211,533 shares of our common stock; (ii) 4% of the number of shares of our common stock outstanding as of such date; and (iii) an amount determined by our board of directors or compensation committee. On January 1, 2016, pursuant to the evergreen provision, the number of available shares

under the 2012 Plan was increased by 976,101 shares.

## **Compensation Committee Interlocks and Insider Participation**

Until Mr. Patel's departure from our board of directors in November 2015 after our annual meeting, our compensation committee was composed of Drs. Akkaraju and Veitinger and Messrs. Fundaro and Patel. Since December 2015, our compensation committee has been composed of Drs. Akkaraju and Veitinger and Messrs. Santini and Welch. No member of our compensation committee during fiscal 2015 has at any time been an officer or employee of ours. None of our executive officers serves as a member of another entity's board of directors or compensation committee, or other committee serving an equivalent function that has one or more executive officers serving as a member of our board of directors or compensation committee.

TABLE OF CONTENTS

## **Risk Considerations in Our Compensation Program**

Our compensation committee has reviewed and evaluated the philosophy and standards on which our compensation plans have been developed and implemented across our company. It is our belief that our compensation programs do not encourage inappropriate actions or risk taking by our executive officers. We do not believe that any risks arising from our employee compensation policies and practices are reasonably likely to have a material adverse effect on our company. In addition, we do not believe that the mix and design of the components of our executive compensation program encourage management to assume excessive risks.

## **Tax Deductibility of Executive Compensation**

Section 162(m) of the Internal Revenue Code generally restricts deductibility for federal income tax purposes of annual individual compensation in excess of \$1 million paid to each of the chief executive officer and the three other most highly compensated executive officers (other than the chief financial officer) if certain conditions are not satisfied. Qualified performance-based compensation is not subject to the deduction limitation if specified requirements are met. The compensation committee is informed about the tax deductibility and accounting treatment of compensation when making its compensation determinations. The compensation committee's general policy is to develop and maintain compensation programs that effectively attract, motivate and retain exceptional executives in a highly competitive environment, which may include payments that might not be deductible if the compensation committee believes they are in the best interests of our company and our stockholders.



TABLE OF CONTENTS

## REPORT OF AUDIT COMMITTEE

The audit committee of the board of directors has furnished the following report:

The audit committee assists the board in overseeing and monitoring the integrity of our financial reporting process, compliance with legal and regulatory requirements and the quality of internal and external audit processes. This committee's role and responsibilities are set forth in our charter adopted by the board, which is available in the Investors' section of our website at [www.interceptpharma.com](http://www.interceptpharma.com). This committee reviews and reassesses our charter annually and recommends any changes to the board for approval. The audit committee is responsible for overseeing our overall financial reporting process, and for the appointment, compensation, retention, and oversight of the work of KPMG LLP. In fulfilling its responsibilities for the financial statements for fiscal year 2015, the audit committee took the following actions:

Reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2015 with management and KPMG LLP, our independent registered public accounting firm;  
Discussed with KPMG LLP the matters required to be discussed in accordance with Statement on Auditing Standards No. 61, as amended, (AICPA, Professional Standards, Vol 1. AU Section 380) as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and  
Received written disclosures and the letter from KPMG LLP regarding its independence as required by applicable requirements of the Public Company Accounting Oversight Board regarding KPMG LLP communications with the audit committee and the audit committee further discussed with KPMG LLP their independence.

The audit committee also considered the status of pending litigation, taxation matters and other areas of oversight relating to the financial reporting and audit process that the committee determined appropriate.

Based on the audit committee's review of the audited financial statements and discussions with management and KPMG LLP, the audit committee recommended to the board that the audited financial statements be included in our annual report on Form 10-K for the fiscal year ended December 31, 2015 for filing with the SEC.

In 2015, the audit committee reviewed KPMG LLP's work relating to our annual and quarterly financial statements, along with KPMG LLP's work relating to our public offerings completed in 2015. Based on KPMG LLP's performance, the audit committee recommends that our stockholders ratify the appointment of KPMG LLP as our auditors for fiscal 2016.

### Members of the Audit Committee

Glenn Sblendorio, Chairperson  
Jonathan Silverstein  
Gino Santini

TABLE OF CONTENTS

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

To our knowledge, based solely on a review of the reports furnished to us and written representations that no other reports were required, during the fiscal year 2015, all reports which were required to be filed pursuant to Section 16(a) of the Exchange Act were filed on a timely basis, except for the following Forms 4 which were inadvertently filed late: Form 4 of Srinivas Akkaraju filed on May 22, 2015 reporting the exercise of stock options and the sale of shares of common stock on May 19, 2015; Forms 4 of Luciano Adorini, Barbara Duncan, Mark Pruzanski and David Shapiro filed on July 7, 2015 reporting the vesting of restricted stock units and the issuance of shares of common stock on July 1, 2015 with respect thereto; and Form 4 of Rachel McMinn filed on July 17, 2015 reporting the mandatory sale of shares of common stock to cover the withholding tax amounts upon the vesting of restricted stock awards on May 1, 2015.

## **CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS**

In addition to the director and executive officer compensation arrangements discussed above in Executive and Director Compensation, since January 1, 2015, we have engaged in the following transactions in which the amount involved exceeded \$120,000 and in which any director, executive officer or holder of more than 5% of our voting securities, whom we refer to as our principal stockholders, or affiliates or immediate family members of our directors, executive officers and principal stockholders, had or will have a material interest. We believe that all of these transactions were on terms as favorable as could have been obtained from unrelated third parties.

Some of our directors are affiliated with our principal stockholders as indicated in the table below:

Director	Affiliation with Principal Stockholder
Paolo Fundaro	Mr. Fundaro is the chief financial officer of Genextra S.p.A., which is one of our principal stockholders.
Jonathan Silverstein	Mr. Silverstein is a member of OrbiMed Advisors LLC, whose affiliated fund is one of our principal stockholders.

### **Indemnification Agreements**

We have entered into indemnification agreements with each of our directors and officers. The indemnification agreements and our restated certificate of incorporation and restated by-laws require us to indemnify our directors and officers to the fullest extent permitted by Delaware law.

### **Policy for Approval of Related Person Transactions**

Pursuant to the written charter of our audit committee, the audit committee is responsible for reviewing and approving, prior to our entry into any such transaction, all transactions in which we are a participant and in which any parties related to us, including our executive officers, our directors, beneficial owners of more than 5% of our securities, immediate family members of the foregoing persons and any other persons whom our board of directors

determines may be considered related parties under Item 404 of Regulation S-K, has or will have a direct or indirect material interest.

In reviewing and approving such transactions, the audit committee shall obtain, or shall direct our management to obtain on its behalf, all information that the committee believes to be relevant and important to a review of the transaction prior to its approval. Following receipt of the necessary information, a discussion shall be held of the relevant factors if deemed to be necessary by the committee prior to approval. If a discussion is not deemed to be necessary, approval may be given by written consent of the committee. This approval authority may also be delegated to the chair of the audit committee in some circumstances. No related party transaction shall be entered into prior to the completion of these procedures.

The audit committee or its chair, as the case may be, shall approve only those related party transactions that are determined to be in, or not inconsistent with, the best interests of us and our stockholders, taking into account all available facts and circumstances as the committee or the chair determines in good faith to be necessary in accordance with principles of Delaware law generally applicable to directors of a Delaware corporation. These facts and circumstances will typically include, but not be limited to, the benefits of the transaction to us; the impact on a director's independence in the event the related party is a director, an

TABLE OF CONTENTS

immediate family member of a director or an entity in which a director is a partner, stockholder or executive officer; the availability of other sources for comparable products or services; the terms of the transaction; and the terms of comparable transactions that would be available to unrelated third parties or to employees generally. No member of the audit committee shall participate in any review, consideration or approval of any related party transaction with respect to which the member or any of his or her immediate family members has an interest.

51

---

TABLE OF CONTENTS

## **ELECTION OF DIRECTORS**

### **(Proposal 1)**

Upon recommendation of the nominating and governance committee, the board of directors has nominated Srinivas Akkaraju, M.D., Ph.D., Luca Benatti, Ph.D., Daniel Bradbury, Paolo Fundaro, Keith Gottesdiener, M.D., Mark Pruzanski, M.D., Gino Santini, Glenn Sblendorio and Daniel Welch for election at the annual meeting. If they are elected, they will serve on our board of directors until the 2017 annual meeting of stockholders and until their respective successors have been elected and qualified, or until their earlier death, resignation or removal.

Unless authority to vote for any of these nominees is withheld, the shares represented by the enclosed proxy will be voted FOR the election as directors of the nominees listed above. If any nominee should be unable or unwilling to serve on our board of directors, the shares represented by the enclosed proxy will be voted for the election of such other person as the board of directors may recommend in that nominee's place. We have no reason to believe that any nominee will be unable or unwilling to serve as a director.

A plurality of the shares voted FOR each nominee at the meeting is required to elect each nominee as a director.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF SRINIVAS AKKARAJU, M.D., PH.D., LUCA BENATTI, PH.D., DANIEL BRADBURY, PAOLO FUNDARO, KEITH GOTTESDIENER, M.D., MARK PRUZANSKI, M.D., GINO SANTINI, GLENN SBLENDORIO, AND DANIEL WELCH AS DIRECTORS, AND PROXIES SOLICITED BY THE BOARD WILL BE VOTED IN FAVOR THEREOF UNLESS A STOCKHOLDER HAS INDICATED OTHERWISE ON THE PROXY.**

TABLE OF CONTENTS

**AMENDMENT OF RESTATED CERTIFICATE OF  
INCORPORATION TO  
INCREASE THE NUMBER OF AUTHORIZED SHARES  
OF COMMON STOCK**

**(Proposal 2)**

**Introduction**

Our board of directors has unanimously determined that it is in the best interests of Intercept and its stockholders to amend our Restated Certificate of Incorporation, as amended (the Charter), to increase the number of authorized shares of our common stock from 35,000,000 shares to 45,000,000 shares, which will result in an increase of the total number of authorized shares of our capital stock from 40,000,000 shares to 50,000,000 shares.

Currently, our Charter authorizes an aggregate of 40,000,000 shares of capital stock, consisting of 35,000,000 shares of authorized common stock and 5,000,000 shares of authorized preferred stock. No shares of preferred stock are issued and outstanding and we are not proposing to increase the number of authorized preferred stock. As of May 23, 2016, we had 24,600,161 shares of common stock issued and outstanding and 1,913,481 shares subject to outstanding stock options and restricted stock units. As of May 23, 2016, we had 661,251 shares of common stock reserved for future issuance under our 2012 Equity Incentive Plan, or 2012 Plan. Accordingly, approximately 77.6% of our authorized shares of common stock has been issued or reserved for issuance.

No other changes to the Charter have been approved or are being proposed by our board of directors. To effectuate the increase of the number of authorized shares of our common stock, Article FOURTH, Paragraph A of the Charter is proposed to be amended as set forth below in its entirety:

The total number of shares of all classes of stock which the Corporation shall have the authority to issue is 50,000,000 shares, consisting of 45,000,000 shares of common stock, par value \$0.001 per share (the Common Stock), and 5,000,000 shares of preferred stock, par value \$0.001 per share (the Preferred Stock).

The number of authorized shares of Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote thereon, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the terms of any Preferred Stock designation.

A copy of the amendment to the Charter proposed by us is attached to this Proxy Statement as Appendix A. For a description of our common stock, please see our Registration Statement on Form 8-A dated as filed with the SEC on September 27, 2012.

## Reasons for the Proposed Amendment

Given the small number of authorized shares currently available under our Certificate of Incorporation, we believe that an increase in the number of authorized shares of our common stock is critical to ensure that a sufficient number of shares is available for future issuances if and when our board of directors deems it to be in our and our stockholders best interests. While we have no current plans to issue any shares that will be authorized if the increase is approved, we may use any of the increased shares at the time and in the manner approved by our board of directors, which may include raising capital through equity financing, executing potential strategic transactions or establishing collaborative relationships, acquiring businesses or assets, issuing equity awards to employees or stock dividends to stockholders, effecting stock splits, or engaging in other general corporate transactions. Historically we have relied significantly on equity financing to fund our business operations and plan to do so in the future. Therefore, the increase of our authorized shares will provide us with the ability and flexibility to access equity capital when needed and available. We believe that if we do not obtain stockholder approval to increase the number of authorized shares of our common stock, our planned operations will be materially and adversely impacted.

TABLE OF CONTENTS

## Effects of Stockholder Approval of Increased Authorized Shares

If the proposed amendment is approved and adopted, the additional authorized shares of common stock may be issued from time to time by actions of our board of directors without further stockholder approval, except as required by law, regulatory authorities or NASDAQ corporate governance listing rules. The increase in authorized shares of common stock will not alter our current number of issued shares of common stock. The relative rights and limitations of the shares of common stock will remain unchanged under this amendment. The additional shares of common stock to be authorized by stockholder approval under this Proposal No. 2 would have the rights identical to the currently outstanding shares of our common stock. Our stockholders will not realize any dilution in their percentage of ownership of us or their voting rights as a result of the increase. However, issuances of additional shares of common stock in the future may, among other things, dilute the earnings per share of the our common stock and the equity and voting rights of those holding our common stock at the time the additional shares are issued. Under our Charter, stockholders do not have preemptive rights to purchase additional securities that may be issued by us. This means that current stockholders do not have a prior right to purchase any new issuances of shares in order to maintain their proportionate ownership interests in Intercept.

The additional shares of common stock that would become available for issuance may also be used to oppose a hostile takeover attempt or to delay or prevent changes in control of the company. For example, without further stockholder approval, our board of directors could strategically sell shares of common stock in a private transaction to purchasers who would oppose a takeover or favor the current board of directors. However, this proposal to increase authorized shares is prompted by business and financial considerations and not by the threat of any hostile takeover attempt, and we are not aware of any such attempts directed at us.

## Votes Required

The affirmative vote of a majority of the shares of our common stock outstanding and entitled to vote at the annual meeting is required to approve the amendment to our Charter to effect the proposed increase in our authorized common stock. The amendment to the Charter will be effective immediately upon acceptance of filing by the Secretary of State of Delaware following stockholder approval of this proposal.

## Recommendation of the Board of Directors

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR APPROVAL OF THE AMENDMENT TO OUR RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF OUR COMMON STOCK FROM 35,000,000 SHARES TO 45,000,000 SHARES, AND PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE VOTED IN FAVOR THEREOF, UNLESS A STOCKHOLDER HAS INDICATED OTHERWISE ON THE PROXY.**



TABLE OF CONTENTS

# ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION, OR SAY-ON-PAY

## (Proposal 3)

We are providing our stockholders the opportunity to vote to approve, on an advisory, non-binding basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the SEC's rules. This proposal, which is commonly referred to as say-on-pay, is required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which added Section 14A to the Exchange Act. Section 14A of the Exchange Act also requires that stockholders have the opportunity to cast a non-binding, advisory vote with respect to whether future executive compensation advisory votes will be held every one, two or three years, which is commonly referred to as say-on-frequency. The stockholders voted every year at our 2015 annual meeting of stockholders, which was ratified by our board of directors. As such, the next required advisory (non-binding) vote regarding say on pay frequency will be at our 2021 annual meeting of stockholders.

Our executive compensation programs are designed to attract, motivate and retain our executive officers, who are critical to our success. Under these programs, our named executive officers are rewarded for the achievement of our short-term and longer-term financial and strategic goals and for driving corporate financial performance and stability. The programs contain elements of cash and equity-based compensation and are designed to align the interests of our executives with those of our stockholders.

The Executive Officer and Director Compensation section of this proxy statement, including Compensation Discussion and Analysis, describes in detail our executive compensation programs and the decisions made by the compensation committee and our board of directors with respect to the year ended December 31, 2015. As we describe in the Compensation Discussion and Analysis section, our executive compensation program embodies a pay-for-performance philosophy that supports our business strategy and aligns the interests of our executives with our stockholders. Our board believes this link between compensation and the achievement of our short- and long-term business goals has helped drive our performance over time. At the same time, we believe our program does not encourage excessive risk-taking by management.

Our board is asking stockholders to approve a non-binding advisory vote on the following resolution:

*RESOLVED, that the compensation paid to the named executive officers of Intercept Pharmaceuticals, Inc., as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and any related material disclosed in this proxy statement, is hereby approved.*

As an advisory vote, this proposal is not binding. The outcome of this advisory vote does not overrule any decision by us or our board of directors (or any committee thereof), create or imply any change to the fiduciary duties of us or our board of directors (or any committee thereof), or create or imply any additional fiduciary duties for us or our board of directors (or any committee thereof). However, our compensation committee and our board of directors value the opinions expressed by our stockholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for named executive officers.

**OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR APPROVAL OF THE  
COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.**

55

---

TABLE OF CONTENTS**RATIFY APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****(Proposal 4)**

The audit committee of our board of directors has appointed KPMG LLP, as our independent registered public accounting firm, to audit our financial statements for the fiscal year ending December 31, 2016. Although stockholder approval of the appointment of KPMG LLP is not required by law or NASDAQ rules, our audit committee believes that it is advisable and has decided to give our stockholders the opportunity to ratify this appointment. KPMG LLP audited our financial statements for the fiscal year ended December 31, 2015, and has served as our auditors since 2008. We expect that representatives of KPMG LLP will be present at the annual meeting, will be able to make a statement if they so desire, and will be available to respond to appropriate questions.

The following table presents fees for professional audit services rendered by KPMG LLP for the audit of our annual financial statements for the years ended December 31, 2015 and December 31, 2014, and fees billed for other services rendered by KPMG LLP during those periods.

(in thousands)	2015	2014
Audit fees	\$ 688	\$ 394
Audit related fees		
Tax fees	25	48
All other fees	141	
Total	\$ 854	\$ 442

Audit fees include fees associated with the annual audit, review of our quarterly reports on Form 10-Q, consents related to filings with the SEC and KPMG LLP's work in connection with our financing activities. Tax fees include tax compliance, preparation of state and federal income tax returns, and preparation of sales tax returns.

**Auditor Independence**

The audit committee has determined that the provision of services rendered above is compatible with maintaining KPMG LLP's independence. All audit related, tax and other services are required to be pre-approved by the audit committee.

**Policy on Audit Committee Pre-Approval of Audit and Permissible Non-audit Services of Independent Public Accountant**

Consistent with SEC policies regarding auditor independence, the audit committee has responsibility for appointing, setting compensation and overseeing the work of our independent registered public accounting firm. In recognition of this responsibility, the audit committee has established a policy to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm.

Prior to engagement of an independent registered public accounting firm for the following year's audit, management submits an aggregate of services expected to be rendered during that year for each of four categories of services to the

audit committee for approval.

1. **Audit** services include audit work performed in the preparation of financial statements, as well as work that generally only an independent registered public accounting firm can reasonably be expected to provide, including comfort letters, statutory audits, and attest services and consultation regarding financial accounting and/or reporting standards.

2. **Audit-Related** services are for assurance and related services that are traditionally performed by an independent registered public accounting firm, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.

3. **Tax** services include all services performed by an independent registered public accounting firm's tax personnel except those services specifically related to the audit of the financial statements, and includes fees in the areas of tax compliance, tax planning, and tax advice.

TABLE OF CONTENTS

4. *Other Fees* are those associated with services not captured in the other categories. We generally do not request such services from our independent registered public accounting firm.

Prior to engagement, the audit committee pre-approves these services by category of service. The fees are budgeted and the audit committee requires our independent registered public accounting firm and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage our independent registered public accounting firm for additional services not contemplated in the original pre-approval. In those instances, the audit committee requires specific pre-approval before engaging our independent registered public accounting firm.

The audit committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the audit committee at its meetings.

In the event the stockholders do not ratify the appointment of KPMG LLP as our independent registered public accounting firm, the audit committee will reconsider its appointment.

The affirmative vote of a majority of the shares cast affirmatively or negatively at the annual meeting is required to ratify the appointment of the independent registered public accounting firm.

The audit committee regularly evaluates the performance of KPMG LLP. In 2015, our audit committee reviewed KPMG LLP's work relating to our annual and quarterly financial statements, along with KPMG LLP's work relating to our public offerings completed in 2015. Based on KPMG LLP's performance relating to our annual and quarterly financial review and their performance relating to our financing activities in 2015, our audit committee recommends that our stockholders ratify the appointment of KPMG LLP as our auditors for fiscal 2016.

We expect a representative of KPMG LLP to attend the Annual Meeting either in person or via teleconference. The representative will have an opportunity to make a statement if he or she desires and also will be available to respond to appropriate questions.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, AND PROXIES SOLICITED BY THE BOARD WILL BE VOTED IN FAVOR OF SUCH RATIFICATION UNLESS A STOCKHOLDER INDICATES OTHERWISE ON THE PROXY.**

TABLE OF CONTENTS

## **CODE OF CONDUCT AND ETHICS**

We have adopted a global code of business conduct that applies to all of our employees, including our chief executive officer and chief financial and accounting officer. The text of the global code of business conduct is posted in the Investors section of our website at [www.interceptpharma.com](http://www.interceptpharma.com). Disclosure regarding any amendments to, or waivers from, provisions of our global code of business conduct that apply to our directors, principal executive officer and principal financial officer will be included in a Current Report on Form 8-K within four business days following the date of such amendment or waiver, unless posting on our website or the issuance of a press release of such amendments or waivers is then permitted by the rules of The NASDAQ Stock Market.

## **OTHER MATTERS**

The board of directors knows of no other business which will be presented to the annual meeting. If any other business is properly brought before the annual meeting, proxies will be voted in accordance with the judgment of the persons named therein.

## **STOCKHOLDER PROPOSALS AND NOMINATIONS FOR DIRECTOR**

To be considered for inclusion in the proxy statement relating to our 2017 annual meeting of stockholders, we must receive stockholder proposals (other than for director nominations) no later than February 20, 2017. To be considered for presentation at the 2017 annual meeting, although not included in the proxy statement, proposals (including director nominations that are not requested to be included in our proxy statement) must be received no earlier than March 21, 2017 and no later than April 20, 2017; provided, however, that if the 2017 annual meeting date is more than 30 days before or 30 days after the anniversary of the 2016 annual meeting date, notice must be delivered by the stockholder not earlier than the close of business on the 120<sup>th</sup> day prior to the 2017 annual meeting and not later than the close of business on the later of (i) the 90<sup>th</sup> day prior to the 2017 annual meeting and (ii) the close of business on the tenth day following the day on which public announcement of the date of the 2017 annual meeting is first made by us. Proposals that are not received in a timely manner will not be voted on at the 2017 annual meeting. If a proposal is received on time, the proxies that management solicits for the meeting may still exercise discretionary voting authority on the proposal under circumstances consistent with the proxy rules of the SEC. All stockholder proposals should be marked for the attention of Corporate Secretary, Intercept Pharmaceuticals, Inc., 450 West 15<sup>th</sup> Street, Suite 505, New York, NY 10011.

New York, NY  
June 20, 2016

TABLE OF CONTENTS

**Appendix A**

**CERTIFICATE OF AMENDMENT  
TO  
RESTATED CERTIFICATE OF INCORPORATION  
OF  
INTERCEPT PHARMACEUTICALS, INC.**

(Pursuant to Section 242 of the  
General Corporation Law of the State of Delaware)

Intercept Pharmaceuticals, Inc., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is Intercept Pharmaceuticals, Inc. (the Corporation ). The Certificate of Incorporation of the Corporation was filed with the Secretary of the State of Delaware on September 4, 2002 under the name TSM Pharmaceuticals, Inc. The Certificate of Incorporation of the Corporation filed on September 4, 2002 was amended on October 11, 2002 to change the name of the Corporation to Intercept Pharmaceuticals, Inc. A Restated Certificate of Incorporation was last filed on October 16, 2012. An Amendment to the Restated Certificate of Incorporation was filed on July 17, 2014.
2. This Certificate of Amendment to Restated Certificate of Incorporation of the Corporation, as amended, was duly adopted by the Board of Directors of the Corporation pursuant to a resolution setting forth the proposed amendment of the Restated Certificate of Incorporation, as amended, and declaring said amendment to be advisable.
3. Article FOURTH, Paragraph A. of the Restated Certificate of Incorporation, as amended, is hereby deleted in its entirety and replaced with the following:

A. Designation and Number of Shares.

The total number of shares of all classes of stock which the Corporation shall have the authority to issue is 50,000,000 shares, consisting of 45,000,000 shares of common stock, par value \$0.001 per share (the Common Stock ), and 5,000,000 shares of preferred stock, par value \$0.001 per share (the Preferred Stock ).

The number of authorized shares of Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote thereon, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the terms of any Preferred Stock designation.

4. The aforesaid amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

[Remainder of this page intentionally left blank.]

A-1

---



TABLE OF CONTENTS

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to Restated Certificate of Incorporation, as amended, to be signed by its duly authorized President and Chief Executive Officer this     day of     , 2016.

**INTERCEPT PHARMACEUTICALS, INC.**

By:

Mark Pruzanski, M.D.  
President and Chief Executive Officer

A-2

---

TABLE OF CONTENTS

INTERCEPT PHARMACEUTICALS, INC.

Annual Meeting of Stockholders

JULY 19, 2016

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders To Be Held on July 19, 2016**

**The Proxy Statement and Annual Report for 2015 are available at**

***<http://www.interceptpharma.com/proxy.html>***

**INTERCEPT PHARMACEUTICALS, INC.  
THIS PROXY IS SOLICITED ON BEHALF OF THE  
BOARD OF DIRECTORS**

The undersigned, revoking all prior proxies, hereby appoints Mark Pruzanski and Bryan Yoon, or either of them, with full power of substitution, as proxy to represent and vote all shares of Common Stock, par value \$0.001 per share, of Intercept Pharmaceuticals, Inc. (the Company), which the undersigned will be entitled to vote if personally present at the Annual Meeting of the Stockholders of the Company to be held on July 19, 2016, at 9:00 a.m. ET at the Company's corporate headquarters, located at 450 W. 15<sup>th</sup> Street, Suite 505, New York, NY 10011, upon matters set forth in the Notice of 2016 Annual Meeting of Stockholders and Proxy Statement dated June 20, 2016, a copy of which has been received by the undersigned. Each share of Common Stock is entitled to one vote. The proxies are further authorized to vote, in their discretion, upon such other business as may properly come before the meeting.

This proxy, when properly executed, will be voted as directed. If no direction is made, the proxy shall be voted **FOR** the election of the listed nominees as directors, **FOR** the amendment to the Company's restated certificate of incorporation, **FOR** the holding of a non-binding, advisory vote on executive compensation, and **FOR** the ratification of the appointment of KPMG LLP as the Company's independent auditors for the fiscal year ending December 31, 2016 and, in the case of other matters that legally come before the meeting, as said proxy(s) may deem advisable.

Please check here if you plan to attend the Annual Meeting of Stockholders on July 19, 2016 at 9:00 a.m. (ET). o

**(Continued and to be signed on Reverse Side)**

---

TABLE OF CONTENTS

**VOTE ON INTERNET**

Go to <http://www.interceptpharma.com/proxy.html> and log-on using the below control number.

**CONTROL #**

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the envelope we have provided.

**VOTE IN PERSON**

If you would like to vote in person, please attend the Annual Meeting to be held on July 19, 2016 at 9:00 a.m. ET.

**Please Vote, Sign, Date and Return Promptly in the Enclosed Envelope.**

**Annual Meeting Proxy Card    Common Stock**

**DETACH PROXY CARD HERE TO VOTE BY MAIL**

**The Board of Directors recommends you vote FOR each director nominee:**

(1) Election of Directors:

FOR ALL NOMINEES LISTED BELOW     WITHHOLD AUTHORITY TO VOTE  
(except as marked to the contrary below)    FOR ALL NOMINEES LISTED BELOW

**INSTRUCTION: TO WITHHOLD AUTHORITY TO VOTE FOR ONE OR MORE INDIVIDUAL NOMINEES STRIKE A LINE THROUGH THE NOMINEES' NAMES BELOW:**

01 Srinivas Akkaraju	02 Luca Benatti	03 Daniel Bradbury
04 Paolo Fundaro	05 Keith Gottesdiener	06 Mark Pruzanski
07 Gino Santini	08 Glenn Sblendorio	09 Daniel Welch

**The Board of Directors recommends you vote FOR the following proposal:**

(2) To amend the Company's Restated Certificate of Incorporation to increase authorized shares of common stock:

VOTE FOR

VOTE AGAINST

ABSTAIN

**The Board of Directors recommends you vote FOR the following proposal:**

(3) To approve, on an advisory basis, our executive compensation:

VOTE FOR

VOTE AGAINST

ABSTAIN

**The Board of Directors recommends you vote FOR the following proposal:**

(4) To approve a proposal to ratify the Board's appointment of KPMG LLP as the Company's independent auditors for the fiscal year ending December 31, 2016:

VOTE FOR

VOTE AGAINST

ABSTAIN

Date

Signature

Signature, if held jointly

**Note: This proxy must be signed exactly as the name appears hereon. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by a duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by an authorized person.**

To change the address on your account, please check the box

**At right and indicate your new address.**

---

low:hidden;font-size:10pt;">

31,076

20,487

Loss from operations

\$  
(7,539  
)

\$  
(7,476  
)

#### Revenue

Connectivity operating segment revenue was as follows (in thousands):

	Three Months Ended June 30,		% Change	
	2014	2013	2013 to 2014	
Service revenue	\$17,308	\$12,379	39.8	%
Equipment revenue	9,297	6,369	46.0	%
Total revenue Connectivity segment	\$26,605	\$18,748	41.9	%

#### Connectivity Service Revenue

Connectivity service revenue increased \$4.9 million, or 40%, to \$17.3 million for the three months ended June 30, 2014, as compared to \$12.4 million for the three months ended June 30, 2013. The increase was principally due to the growth in users of our Wi-Fi Internet services on Southwest Airlines, which was driven by a higher number of Southwest planes offering our Connectivity services in 2014 as compared to 2013, coupled with the commencement of the TV Flies Free service on Southwest Airlines in July 2013.

#### Connectivity Equipment Revenue

Connectivity equipment revenue increased by \$2.9 million, or 46%, to \$9.3 million for the three months ended June 30, 2014, as compared to \$6.4 million for the three months ended June 30, 2013. The increase was primarily due to the timing of equipment installations on newly commissioned planes for the Southwest Airlines fleet.

41

---

Table of Contents

Content operating segment revenue was as follows (in thousands):

	Three Months Ended June 30,		% Change	
	2014	2013	2013 to 2014	
Licensing revenue	\$59,110	\$38,405	53.9	%
Service revenue	12,253	5,678	115.8	%
Equipment revenue	177	—	100.0	%
Total revenue Content segment	\$71,540	\$44,083	62.3	%

#### Content Licensing Revenue

Content licensing revenue increased \$20.7 million, or 54%, to \$59.1 million for the three months ended June 30, 2014 as compared to \$38.4 million for the three months ended June 30, 2013. The increase was primarily due to the acquisitions of PMG and IFES, which we acquired on July 10, 2013 and October 18, 2013, respectively, and were not part of our operations as of June 30, 2013. When combined, PMG and IFES generated \$19.5 million of licensing revenue in the three months ended June 30, 2014. The remaining increase of \$1.2 million was largely due to the addition of new Content customers during the three months ended June 30, 2014.

#### Content Service Revenue

Content service revenue increased \$6.6 million, or 116%, to \$12.3 million for the three months ended June 30, 2014, as compared to \$5.7 million for the three months ended June 30, 2013. The increase was primarily due to the acquisitions of PMG and IFES, which we acquired on July 10, 2013 and October 18, 2013, respectively, and were not part of our operations as of June 30, 2014. When combined, PMG and IFES generated \$6.8 million of licensing revenue in the three months ended June 30, 2014.

#### Cost of Sales

Connectivity operating segment cost of sales was as follows (in thousands):

	Three Months Ended June 30,		% Change	
	2014	2013	2013 to 2014	
Service cost of sales	\$13,294	\$11,513	15.5	%
Equipment cost of sales	8,577	5,462	57.0	%
Total Connectivity cost of sales	\$21,871	\$16,975	28.8	%

Connectivity cost of sales increased \$4.9 million, or 29%, to \$21.9 million for the three months ended June 30, 2014 compared to \$17.0 million for the three months ended June 30, 2013 due to a \$3.1 million increase in Connectivity equipment cost of sales and a \$1.8 million increase in Connectivity service cost of sales. The increase in equipment cost of sales was principally due to an increase in equipment revenue over the same period as a result of the timing of equipment installations on newly commissioned planes on the Southwest Airlines fleet, which was did not exist in 2013. The increase in service cost of sales was principally due to higher satellite bandwidth costs to support the growth in our Connectivity service revenue during the same period, and increased service provider expenses associated with our “TV Flies Free” service on Southwest Airlines.

As a percentage of Connectivity equipment revenue, Connectivity equipment cost of sales was 92.3% during the three months ended June 30, 2014 compared to 85.8% during the three months ended June 30, 2013, an increase of 650 basis points. The period to period decrease in equipment contribution margin was largely due to higher equipment revenue from Southwest Airlines, which have lower margins than other airlines, during the three months ended June 30, 2014 versus the three months ended June 30, 2013.

The Board of Directors recommends you vote FOR the following proposal:

As a percentage of Connectivity service revenue, Connectivity service cost of sales was 76.8% during the three months ended June 30, 2014 as compared to 93.0% for the three months ended June 30, 2013, an improvement of 1,620 basis points. The period to period improvement in contribution margin was largely due to higher service revenue from Southwest

42

---

Table of Contents

Airlines during the three months ended June 30, 2014 versus the three months ended June 30, 2013. When compared to 2013, the growth in Connectivity service revenue during 2014 exceeded the increase in the related fixed satellite bandwidth costs over the same period, coupled with the commencement of the TV Flies Free service on Southwest Airlines in 2014. The TV Flies Free service largely utilizes our existing bandwidth and satellite costs, and as a result is highly accretive to our operating results.

Content operating segment cost of sales was as follows (in thousands):

	Three Months Ended June 30,		% Change	
	2014	2013	2013 to 2014	
Content cost of sales	\$52,739	32,845	60.6	%

Content cost of sales increased \$19.9 million, or 61%, to \$52.7 million for the three months ended June 30, 2014, as compared to \$32.8 million for the three months ended June 30, 2013. Consistent with the change in Content revenue over the same period, the increase was primarily due to the acquisitions of PMG and IFES, which we acquired on July 10, 2013 and October 18, 2013, respectively, and were not part of our operations as of June 30, 2013. When combined, PMG and IFES incurred \$21.0 million of content licensing cost of sales in the three months ended June 30, 2014. Offsetting this was a decrease of approximately \$2.3 million in amortization expense associated with acquired content rights from the acquisition of AIA during the three months ended June 30, 2014 when compared to three months ended June 30, 2013. The remaining increase of \$1.2 million was largely due to higher cost of sales from new Content customers during the three months ended June 30, 2014 as compared to three months ended June 30, 2013.

As a percentage of Content revenue, Content licensing cost of sales of 73.7% during the three months ended June 30, 2014 remained relatively flat as compared to 74.5% during the three months ended June 30, 2013.

## Other Operating Expenses

Other operating expenses were as follows (in thousands):

	Three Months Ended June 30,		% Change	
	2014	2013	2012 to 2013	
Sales and marketing expenses	\$3,322	\$2,399	38.5	%
Product development	4,465	2,327	91.9	%
General and administrative	17,143	12,745	34.5	%
Amortization of intangible assets	6,146	3,016	103.8	%

## Sales and Marketing Expenses

Sales and marketing expenses increased \$0.9 million, or 39%, to \$3.3 million for the three months ended June 30, 2014 as compared to \$2.4 million for the three months ended June 30, 2013. The increase was largely due to the acquisitions of PMG and IFES, which we acquired on July 10, 2013 and October 18, 2013, respectively, and were not part of our operations as of June 30, 2013. When combined, PMG and IFES incurred \$1.4 million of sales and marketing expenses during the three months ended June 30, 2014. Offsetting this was a decrease of approximately \$0.5 million in consulting expenses in the quarter ended June 30, 2014 as compared to the corresponding period in 2013.

## Product Development



Product development expenses increased \$2.1 million, or 92%, to \$4.5 million for the three months ended June 30, 2014 compared to \$2.3 million for the three months ended June 30, 2013. The period to period change was largely due to an increase of \$1.9 million related to product development consulting fees and personnel costs to support the continued development of our W-Fi Internet portal and network operations in the three months ended June 30, 2014, coupled with increased research and development on new technologies and services in the Connectivity business in the three months ended June 30, 2014. The remaining increase of \$0.2 million was largely due to the acquisition of PMG in July 2013, which was not included in the operating results during the three months ended June 30, 2013. Offsetting product development expenses was approximately \$0.7 million

Table of Contents

and \$0.4 million of internally developed software projects capitalized during the three months ended June 30, 2014 and 2013, respectively.

## General and Administrative

General and administrative costs increased \$4.4 million, or 35%, to \$17.1 million during the three months ended June 30, 2014 compared to \$12.7 million for the three months ended June 30, 2013. The increase was largely due to \$1.3 million associated with one-time earn-out expenses from the PMG acquisition, \$1.0 million in severance expense associated with the departure of a former AIA executive, \$2.2 million from PMG and IFES, which were acquired in 2013, and approximately \$1.3 million in stock-based compensation and depreciation expense. Offsetting these were decreases of approximately \$1.4 million largely associated with lower professional fees and personnel costs to integrate AIA in the periods.

## Amortization of Intangible Assets

Amortization expense increased to \$6.1 million during the three months ended June 30, 2014 as compared to \$3.0 million for the three months ended June 30, 2013. The increase is due to the amortization of acquired intangible assets acquired via the 2013 acquisitions of AIA, PMG and IFES. There was only the AIA acquisition made as of June 30, 2013, and as a result the amounts as of June 30, 2013 are not comparable to June 30, 2014.

## Total Other Income (Expense)

Total other income (expense) increased \$25.4 million to \$20.4 million during the three months ended June 30, 2014 compared to \$(5.0) million for the three months ended June 30, 2013. The increase in net other income was principally due to a decrease in the fair value of the Company's public warrants of \$26.1 million, offset by \$1.0 million of expense associated with a one-time write-down of the Company's equity method investment during the three months ended June 30, 2014.

## Income Tax Expense

Income tax expense was \$0.9 million for the three months ended June 30, 2014 compared to \$0.6 million for the three months ended June 30, 2013. The income tax expense increase was largely due to foreign withholding taxes and income earned in the U.S., Germany, Canada and other foreign jurisdictions. Due to uncertainties in realizing future taxable income in certain U.S. and foreign jurisdictions, the Company had a valuation allowance of \$53.9 million and \$50.8 million at June 30, 2014 and 2013, respectively.

## Six Months Ended June 30, 2014 Compared To Six Months Ended June 30, 2013

Segment revenue, expenses and contribution profit for the six months ended June 30, 2014 and 2013 derived from the Company's Content and Connectivity segments were as follows (in thousands):

	Six Months Ended June 30,			2013		
	Connectivity	Content	Consolidated	Connectivity	Content	Consolidated
Revenue:						
Licensing	\$111,441	\$—	\$111,441	\$61,709	\$—	\$61,709
Service	23,314	33,802	57,116	9,550	18,673	28,223
Equipment	376	15,180	15,556	—	15,412	15,412
Total revenue	135,131	48,982	184,113	71,259	34,085	105,344
Operating expenses:						
Cost of sales	98,880	40,844	139,724	53,348	32,221	85,569
Contribution profit	36,251	8,138	44,389	17,911	1,864	19,775

The Board of Directors recommends you vote FOR the following proposal:

Other operating expenses	61,321	49,403
Loss from operations	\$(16,932 )	\$(29,628 )

44

---

Table of Contents

## Revenue

Connectivity revenue was as follows (in thousands):

	Six Months Ended June 30,			
	2014	2013	% Change	
Service revenue	\$33,802	\$18,673	81.0	%
Equipment revenue	15,180	15,412	(1.5)	)%
Total Connectivity revenue	\$48,982	\$34,085	43.7	%

## Connectivity Service Revenue

Connectivity service revenue increased \$15.1 million or 81% to \$33.8 million for the six months ended June 30, 2014, as compared to \$18.7 million for the six months ended June 30, 2013. The increase was principally due to the growth in users of our Wi-Fi Internet services on Southwest Airlines, which was driven by a higher number of Southwest planes offering our Connectivity services in 2014 as compared to 2013, coupled with the commencement of the TV Flies Free service on Southwest Airlines in July 2013.

## Connectivity Equipment Revenue

Connectivity equipment revenue decreased by \$0.2 million or 2% to \$15.2 million for the six months ended June 30, 2014, as compared to \$15.4 million for the six months ended June 30, 2013. The decrease was primarily due to the timing of equipment installations on the Southwest Airlines fleet.

Content revenue was as follows (in thousands):

	Six Months Ended June 30,			
	2014	2013	% Change	
Licensing revenue	\$111,441	\$61,709	80.6	%
Service revenue	23,314	9,550	144.1	%
Equipment revenue	\$376	\$—	100.0	%
Total Content revenue	\$135,131	\$71,259	89.6	%

## Content Licensing Revenue

Content licensing revenue increased \$49.7 million or 81%, to \$111.4 million for the six months ended June 30, 2014, as compared to \$61.7 million for the six months ended June 30, 2013. The increase was primarily due to the acquisitions of PMG and IFES, which we acquired on July 10, 2013 and October 18, 2013, respectively, and were not part of our operations as of June 30, 2013. When combined, PMG and IFES generated \$36.7 million of licensing revenue in the six months ended June 30, 2014. The remaining increase of \$13.0 million was largely due to AIA, which we acquired on January 31, 2013 and was only a part of our operations for a partial period during the six months ended June 30, 2013, coupled with the addition of new Content customers in the three months of June 2014.

## Content Service Revenue

Content service revenue increased \$13.8 million or 144%, to \$23.3 million for the six months ended June 30, 2014, compared to \$9.6 million for the six months ended June 30, 2013. The increase was primarily due to the acquisitions of PMG and IFES, which we acquired on July 10, 2013 and October 18, 2013, respectively, and were not part of our operations as of June 30, 2013.

Table of Contents

## Cost of Sales

Connectivity cost of sales was as follows (in thousands):

	Six Months Ended June 30,			
	2014	2013	% Change	
Service cost of sales	\$27,015	\$19,772	36.6	%
Equipment cost of sales	13,829	12,449	11.1	%
Total Connectivity cost of sales	\$40,844	\$32,221	26.8	%

Connectivity cost of sales increased \$8.6 million or 27% to \$40.8 million for the six months ended June 30, 2014 compared to \$32.2 million for the six months ended June 30, 2013. The \$8.6 million increase was due to a \$7.2 million increase in Connectivity service cost of sales, and a \$1.4 million increase in Connectivity equipment cost of sales. Connectivity equipment cost of sales increased \$1.4 million or 11% principally due to a higher mix of equipment installations on the Southwest Airlines fleet during the six months ended June 30, 2014, which has lower margins compared to other airline customers. Connectivity service cost of sales increased \$7.2 million or 37% principally due to higher satellite bandwidth costs to support the growth in our Connectivity service revenue over the same period.

As a percentage of Connectivity equipment revenue, Connectivity equipment cost of sales was 91.1% during the six months ended June 30, 2014 as compared to 80.8% during the six months ended June 30, 2013, an increase of 1,030 basis points. The period over period decrease in contribution margin was primarily due to a higher mix of equipment installations on the Southwest Airline fleet in the six months ended 2014, which were sold at less favorable margins as compared to other airlines.

As a percentage of Connectivity service revenue, Connectivity service cost of sales was 79.9% during the six months ended June 30, 2014 as compared to 105.9% during the six months ended June 30, 2013, a decrease of 2,600 basis points. The period to period improvement in contribution margin was largely due to higher service revenue from Southwest Airlines during the six months ended June 30, 2014 versus the six months ended June 30, 2013. When compared to 2013, the growth in Connectivity service revenue during 2014 exceeded the increase in the related fixed satellite bandwidth costs over the same period, coupled with the commencement of the TV Flies Free service on Southwest Airlines in 2014. The TV Flies Free service largely utilizes our existing bandwidth and satellite costs, and as a result is highly accretive to our operating results.

Content cost of sales was as follows (in thousands):

	Six Months Ended June 30,			
	2014	2013	% Change	
Content cost of sales	\$98,880	\$53,348	85.3	%

Content cost of sales increased \$45.5 million or 85% to \$98.9 million for the six months ended June 30, 2014, as compared to \$53.3 million for the six months ended June 30, 2013. Consistent with the change in Content revenue over the same period, the increase was primarily due to the acquisitions of PMG and IFES, which we acquired on July 10, 2013 and October 18, 2013, respectively, and were not part of our operations as of June 30, 2013. When combined, PMG and IFES incurred \$35.6 million of content licensing cost of sales in the six months ended June 30, 2014. The remaining increase of \$9.9 million was largely due to AIA, which we acquired on January 31, 2013 and was only a part of our operations for a partial period during the six months ended June 30, 2013. Offsetting this was a decrease of approximately \$3.4 million in amortization expense associated with acquired content rights from the acquisition of AIA during the six months ended June 30, 2014 when compared to six months ended June 30, 2013.

The Board of Directors recommends you vote FOR the following proposal:

The remaining increase of \$1.4 million was largely due to higher cost of sales from new Content customers during the three months ended June 30, 2014.

As a percentage of Content revenue, Content licensing cost of sales of 73.2% during the six months ended June 30, 2014 remained relatively flat as compared to 74.9% during the six months ended June 30, 2013.

Table of Contents

## Other Operating Expenses

Other operating expenses were as follows (in thousands):

	Six Months Ended June 30,			
	2014	2013	% Change	
Sales and marketing expenses	\$6,161	\$4,686	31.5	%
Product development	8,387	3,664	128.9	%
General and administrative	34,209	36,804	(7.1)	)%
Amortization of intangible assets	12,564	4,249	195.7	%

## Sales and Marketing Expenses

Sales and marketing expenses increased \$1.5 million or 31% to \$6.2 million for the six months ended June 30, 2014 compared to \$4.7 million in the corresponding period in 2013. The increase was largely due to the acquisitions of PMG and IFES, which we acquired on July 10, 2013 and October 18, 2013, respectively, and were not part of our operations as of June 30, 2013. When combined, PMG and IFES incurred \$2.5 million of sales expenses during the six months ended June 30, 2014. Offsetting this was a decrease of approximately \$1.0 million in consulting and trade show expenses in the six months ended June 30, 2014 as compared to the corresponding period in 2013.

## Product Development

Product development expenses increased \$4.7 million or 129% to \$8.4 million for the six months ended June 30, 2014 compared to \$3.7 million in the corresponding period in 2013. The period to period change was largely due to an increase of \$3.9 million related to product development consulting fees associated with new development efforts in China and increased consulting fees associated with the development of our W-Fi Internet portal in the six months ended June 30, 2014, coupled with increased research and development on new technologies and services in the Connectivity segment in the six months ended June 30, 2014. The remaining increase of \$0.8 million was largely due to the acquisition of PMG in July 2013, which was not included in the operating results during the six months ended June 30, 2013. Offsetting product development expenses was approximately \$1.3 million and \$0.7 million of internally developed software projects capitalized during the six months ended June 31, 2014 and 2013, respectively.

## General and Administrative

General and administrative costs decreased by \$2.6 million or 7.1% to \$34.2 million during the six months ended June 30, 2014 compared to \$36.8 million in the corresponding period in 2013. The decrease was largely due to a one-time backstop fee of \$11.9 million paid to PAR Capital in the first quarter of 2013, coupled with a \$1.3 million decrease in certain tax liabilities associated with the Business Combination in January 2013. Offsetting these were increases of \$1.3 million associated with one-time earn-out expenses from the PMG acquisition, \$1.0 million in severance expense associated with the departure of a former AIA executive in June 2014, approximately \$2.7 million in professional fees principally to support various initiatives in the period, \$4.3 million from PMG and IFES, which were acquired in 2013, and approximately \$3.9 million in stock-based compensation and depreciation expense. The remaining change was largely due to increased personnel costs to support the Company's growth and various public company initiatives during the six months ended June 31, 2014.

## Amortization of Intangible Assets

Amortization expense increased to \$12.6 million during the six months ended June 30, 2014 as compared to \$4.2 million for the six months ended June 30, 2013. The increase is due to the amortization of acquired intangible assets acquired via the 2013 acquisitions of AIA, PMG and IFES. There was only the AIA acquisition made as of June 30,

2013, and as a result the amounts as of June 30, 2013 are not comparable to June 30, 2014.

Other income (expense)

Other income (expense), net increased \$14.7 million to \$4.9 million during the six months ended June 30, 2014 as compared to (\$9.8) million in the same period in 2013. The increase in the net other income was principally due to a decrease in

47

---



## Table of Contents

the fair value of the Company's public warrants of \$15.1 million, offset by \$1.0 million of expense associated with a one-time write-down of the Company's equity method investment during the six months ended June 30, 2014 and \$0.4 million of expense associated with certain Row 44 warrants during the six months ended June 30, 2013, which were subsequently converted into equity during the first half of 2013.

### Income Tax Expense

Income tax expense was \$2.1 million for the six months ended June 30, 2014 compared to \$0.6 million for the six months ended June 30, 2013. The income tax expense increase was largely due to foreign withholding taxes and income earned in the U.S., Germany, Canada and other foreign jurisdictions. Due to uncertainties in realizing future taxable income in certain U.S. and foreign jurisdictions, the Company had a valuation allowance of \$53.9 million and \$45.9 million at June 30, 2014 and 2013, respectively.

### Liquidity and Capital Resources

#### Current Financial Condition

As of June 30, 2014, our principal sources of liquidity were our cash and cash equivalents in the amount of \$215.3 million, which primarily are invested in cash and money market funds in banking institutions in the U.S. and in Europe. Excluded from our cash balance at June 30, 2014 is approximately \$3.3 million of restricted cash that secures letters of credit between our subsidiaries and certain airlines. The vast majority of our cash was from the Business Combination in January 2013 and follow-on offering in December 2013. As of June 30, 2014, we had total debt outstanding of \$3.6 million. Prior to the consummation of the Business Combination on January 31, 2013, Row 44, the accounting acquirer in the Business Combination, principally financed its operations from the issuance of stock, net cash provided by its operating activities and borrowings from shareholders in the form of convertible notes.

Our cash flows from operating activities are significantly affected by our cash-based investments in operations, including working capital, and corporate infrastructure to support our ability to generate revenue and conduct operations through cost of services, product development, sales and marketing and general and administrative activities. Cash used in investing activities has historically been, and is expected to be, impacted significantly by our investments in business combinations, our platform, Company infrastructure and equipment for our business offerings, the net sales and purchases of our marketable securities and changes in our derivative financial instruments. We recently invested an aggregate \$44.8 million of our cash from July 2013 to October 2013 to acquire PMG and IFES. In the near term, we also expect to continue using significant cash to make additional strategic acquisitions to further grow our business.

In connection with the Business Combination, we incurred approximately \$3.0 million of additional operating expenses related to the addition of personnel, professional fees and systems to build our infrastructure to support our public company compliance and certain corporate alignment initiatives through the end of 2013. In addition, our use of cash flows from operating activities exceeded our proceeds from operating activities throughout the remainder of 2013 and through the second quarter of 2014, primarily due to the ongoing efforts to build our infrastructure and support our public company compliance initiatives, and our ongoing efforts to grow our Connectivity business. In the future, our net use of our working capital could be substantially higher or lower depending on the number and timing of new customers that we add to our Connectivity and Content businesses.

Subsequent to the Business Combination, we acquired a total of 22.6 million additional shares in AIA, which raised our ownership in AIA from approximately 86% as of March 31, 2013 to 94% as of June 30, 2013. Total costs used to complete these share acquisitions was approximately \$15.4 million. In addition and in April, we acquired the remaining 6% non-controlling interests in AIA for an aggregate purchase price of \$22.0 million, inclusive of \$0.6 million of transaction fees. During the three months ended June 30, 2014, we paid approximately \$18.2 million in cash to former AIA shareholders, and expect to pay the additional \$3.8 million consideration during the three months

ending September 30, 2014.

During the six months ended June 30, 2014, the Board of Directors (the “Board”) authorized the Company to repurchase up to \$25.0 million of GEE's public warrants. As of June 30, 2014, \$23.6 million was available for warrants repurchases under this authorization. The amount we spend and the number of warrants repurchased varies based on a variety of factors including the stock price and blackout periods in which we are restricted from repurchasing warrants.

48

---

Table of Contents

In the future, we may utilize commercial financings, bonds, debentures, lines of credit and term loans with a syndicate of commercial banks or other bank syndicates and/or issue equity securities (publicly or privately) for general corporate purposes, including acquisitions and investing in our intangible assets, platform and technologies. We may also use our existing cash and cash equivalents to repurchase some or all of our outstanding public company warrants. We expect that our existing cash and cash equivalents and our cash flows from operating activities will be sufficient to fund our operations for at least the next 24 months. However, we may need to raise additional funds through the issuance of equity, equity-related or debt securities or through additional credit facilities to fund our growing operations, invest in new business opportunities and make potential acquisitions.

## Sources and Uses of Cash - Six Months Ended June 30, 2014 vs. Six Months Ended June 30, 2013

The following table presents a summary of our cash flow activity for the periods set forth below (in thousands):

	Six months ended June 30,	
	2014	2013
Net cash used in operating activities	\$(12,913	) \$(50,612
Net cash (used in) provided by investing activities	\$(3,455	) \$178,553
Net cash used in financing activities	\$(27,049	) \$(19,889

## Cash Flows Provided by/Used in Operating Activities

## Six months ended June 30, 2014

Net cash used in our operating activities of \$12.9 million primarily resulted from our net loss during the period of \$14.2 million, which included non-cash charges of \$15.2 million largely comprised of changes in the fair value of our derivative financial instruments, depreciation and amortization, changes in our deferred income taxes, loss on equity method investment and stock based compensation. The remainder of our uses of cash in operating activities of \$13.9 million was from changes in our working capital, including accounts receivable, prepaid expenses, and content and inventory investments. Offsetting these uses of cash in operating activities was a net cash inflow of \$9.0 million from increases in accounts payable and accrued expenses reflective of timing of cash receipts from customers and payments to vendors. The increase in accounts receivable was reflective of the growth in our corresponding revenue in the period, coupled with the timing of payments from key customers in the period. The increases in prepaid expenses and inventory and content purchases were from continued investments to support the growth in our Connectivity equipment installations and Content licensing acquisitions.

## Six months ended June 30, 2013

Net cash used in our operating activities of \$50.6 million primarily resulted from our net loss during the period of \$40.1 million, which included non-cash charges of \$22.2 million largely comprised of depreciation and amortization, changes in the fair value of our derivative financial instruments, and changes in our deferred income taxes. The remainder of our uses of cash in operating activities of \$31.7 million was from changes in our working capital, including accounts payable and accrued expenses, content and inventory investments, and accounts receivable of approximately \$30.0 million. The decrease in accounts payable and accrued expenses is reflective of significant amounts of accrued obligations paid as a result of our Business Combination in January 2013, including \$11.9 million paid to PAR Capital as a one-time back stop fee. The increase in inventory and content purchases were continued investments to support the growth in our Connectivity equipment installations and Content licensing acquisitions. The increase in accounts receivable is reflective of the growth in service revenue over the period.

## Cash Flows Provided by/Used in Investing Activities

The Board of Directors recommends you vote FOR the following proposal:

Six months ended June 30, 2014

Net cash used in investing activities of \$3.5 million was due to \$4.0 million investments in property and equipment to build-out our internal infrastructure during the six months ended June 30, 2014, offset by proceeds of approximately \$0.6 million received from the sale of certain marketable securities during the six months ended June 30, 2014.

49

---

Table of Contents

Six months ended June 30, 2013

Net cash provided by investing activities of \$178.6 million was largely from the Business Combination in January 2013, which resulted in net cash provided from the Row 44 merger of \$159.2 million and AIA stock purchase of \$22.1 million. In addition we sold our 8.5% interest in Guestlogix for total proceeds of approximately \$5.9 million. The remaining change in net cash provided by investing activities of \$8.7 million was largely due to investments in property and equipment of \$7.2 million to expand our network operations in Russia and Europe and to support our new Live TV product on Southwest Airlines, and a \$1.5 million investment in Allegiant Systems.

## Cash Flows Provided by/Used in Financing Activities

Six months ended June 30, 2014

Net cash used in financing activities of \$27.0 million was primarily due to cash consideration of \$18.2 million to acquire the remaining 6% interest in AIA, \$7.2 million in payments of certain debt obligations and \$1.4 million in payments to purchase outstanding GEE public warrants during the six months ended June 30, 2014.

Six months ended June 30, 2013

Net cash used in financing activities of \$19.9 million was primarily driven by the completion of our purchase of the remaining shares of AIA not already owned by us in April 2013, where we purchased \$15.4 million of non-controlling interests in AIA to increase our ownership to 94.07%. The remaining change in cash used in financing activities of \$4.5 million was largely due to \$3.6 million in payments of certain debt obligations and \$0.8 million purchase of common stock warrants in the period.

## Debt Instruments

Long-term debt consists of the following at June 30, 2014 and December 31, 2013 (in thousands):

	June 30, 2014	December 31, 2013
Bank loans	\$3,596	\$10,801

The following is a schedule, by year, of future minimum principal payments required under notes payable and bank debt as of June 30, 2014 (in thousands):

Years Ending December 31,	Amount
2014 (remaining six months)	\$2,569
2015	124
2016	112
2017	101
2018	101
Thereafter	589
Total	\$3,596

## Bank loan

AIA had an unsecured four-year loan of \$15.9 million from UniCredit Bank AG, Munich, Germany. The loan was subject to half-yearly repayments of \$2.2 million, no prepayment penalties and variable interest based on the

The Board of Directors recommends you vote FOR the following proposal:

six-month Euribor plus 2.35%. In order to avoid any exposure to the risk from rising interest rates associated with variable interest obligations, a portion of the variable interest payments was converted into fixed interest obligations by means of interest rate swaps over the term of the loan.

Under the terms of the loan agreement, mandatory special loan repayments were required under certain circumstances. The provision regarding mandatory special loan repayments resulted in a mandatory special loan repayment of \$1.4 million on

50

---

## Table of Contents

June 30, 2013. As a result, the repayment period and thus the loan would end six months earlier than originally envisioned. These special loan repayments result in a reclassification of the amount of the special loan payments to the current portion of the loan as of December 31, 2013.

As of June 30, 2014, there were no outstanding principal or accrued interest balance on the note.

### Subordinated bank loan

AIA held a note payable of \$2.6 million for mezzanine financing obtained through a financing program of Capital Efficiency Group AG, Zug, Switzerland. This financing program matured and was repaid in March 2014. The interest rate was 8.8% per year. A payment of 1% had to be made each year and interest of 7.8% on the principal had to be paid every quarter. As of June 30, 2014, there was no outstanding principal or accrued interest balance on the note.

### Bank Debt

With the acquisition of PMG in July 2013, the Company assumed approximately \$3.3 million of debt in the form a \$1.5 million term loan (the "Term Loan") and a \$1.8 million line of credit (the "LOC") with a bank. The Term Loan and LOC mature in October 2017 and 2014, respectively, and bear interest at a rate equal to the bank's reference rate, which was approximately 3.25% during the quarter ended June 30, 2014, or the bank's current prime rate. The LOC matures in October 2014, and bears interest. Interest is paid on a monthly basis. There was no accrued interest on the Term Loan and LOC. As of June 30, 2014, the principal balance outstanding on the Term Loan and the LOC were \$1.2 million and \$1.3 million, respectively.

With the acquisition of IFES on October 18, 2013, the Company assumed approximately \$1.3 million of debt in the form of two facility letters for a commercial mortgage loan with a bank for \$0.2 million and \$1.1 million. The mortgage letters mature in October 2014 and 2032, respectively, and bear interest at a rate equal to the bank's base rate, which was approximately 3.25% during the three months ended March 31, 2014 and year ended December 31, 2013. Interest is paid on a monthly basis. Accrued interest on the credit facilities was \$0.0 million at June 30, 2014.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

Market risk is the sensitivity of income to changes in interest rates, foreign exchange rates, commodity prices, equity prices and other market driven rates or prices.

### Market Risk

#### Row 44 and PMG

Row 44 and PMG are generally not exposed to any material risk associated with exchange rates or equity prices. Row 44 and PMG do not hold or issue financial instruments for trading purposes. Row 44 has indirect exposure to changes in commodity prices (i.e., the price of jet fuel) because a key aspect of the decision by potential customers of Row 44 to purchase the connectivity products offered by Row 44 is the effect such products may have on an aircraft's fuel burn.

#### AIA and IFES

AIA and IFES have exposure primarily to two types of market risk: changes in foreign currency exchange rates and interest rates. AIA and IFES do not hold or issue financial instruments for trading purposes.

The following sections provide information on AIA and IFES's exposure to foreign currency exchange rate risks and interest rate risks. AIA and IFES make use of sensitivity analyses that are inherently limited in estimating actual losses in fair value that can occur from changes in market conditions.

#### Foreign Currency Exchange Rates

AIA, and to a lesser extent IFES, are highly exposed to fluctuations in foreign currency exchange rates. Within AIA and IFES, currency risks arise from the fact that both sales to customers and most of their film license costs or film rights purchases

51

---



Table of Contents

are largely effected in U.S. dollars while a significant portion of AIA's fixed and overhead costs are incurred in Euros, British pounds and Canadian dollars. AIA may engage in hedging transactions to counteract direct currency risks. However, there can be no assurance that all currency risks have been or will be hedged in full. Severe currency fluctuations could also cause the hedging transactions to fail if agreed thresholds are not met or exceeded. Therefore, substantial negative foreign currency effects may occur due to unforeseen exchange rate fluctuations and/or inaccurate assessments of market developments. IFES has historically not engaged in hedging transactions. At this time, AIA rarely resorts to hedges because of highly volatile foreign exchange rates, and the general trend toward a strengthening of the U.S. dollar relative to the Euro. AIA monitors all foreign exchange rates relevant to it in order to be able to initiate appropriate hedging activities if the current market situation were to change.

There are also intercompany receivables and liabilities such as loans that can generate significant foreign currency effects. Changes in the exchange rates of a number of foreign currencies against the Euro, especially the U.S. dollar and the Canadian dollar, could lead to the recognition of unrealized foreign exchange gains and losses in some cases, particularly as a result of intercompany transactions, including short term borrowings. AIA and IFES management have sought to minimize the impact of intercompany borrowings by reducing the magnitude and quantity of intercompany borrowings.

#### Concentrations of Credit Risk

Our cash and cash equivalents are maintained at a several financial institutions. Deposits held may exceed the amount of insurance provided on such deposits. Generally, our deposits may be redeemed upon demand and are maintained with a financial institution of reputable credit and, therefore, bear minimal credit risk. AIA monitors its positions with, and the credit quality of, the financial institutions that are counterparties to its financial instruments. AIA is exposed to credit loss in the event of nonperformance by the counterparties to the agreements. At June 30, 2014, AIA did not anticipate nonperformance by any of its counterparties. Historically, we have not experienced any losses related to these balances and believe that there is minimal risk of expected future losses. However, there can be no assurance that there will not be losses on these deposits.

As of June 30, 2014 and 2013, the following customer accounted for more than 10% of our consolidated revenue balance:

	Six Months Ended June 30,		
	2014	2013	
Southwest Airlines	22	% 24	%

Accounts receivable balances from Southwest Airlines represented less than 10% of total accounts receivable at June 30, 2014 and December 31, 2013.

#### ITEM 4. CONTROLS AND PROCEDURES

##### Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

As of the end of the period covered by this report on Form 10-Q, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) pursuant to Rule 13a-15 of the Exchange Act. Based upon that evaluation, as a result of the material weaknesses identified in our 2013 Form 10-K, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report on Form 10-Q, the Company's disclosure controls and procedures were not effective.

Table of Contents

Changes in Internal Control over Financial Reporting

We are in the process of implementing changes, as more fully described in our 2013 Form 10-K, to the Company's internal control over financial reporting to remediate certain material weaknesses as described in our 2013 Form 10-K. Other than such changes, there have been no changes in our internal control over financial reporting, during the three months ended June 30, 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On December 28, 2012, Advanced Media Networks, L.L.C. filed suit in the United States District Court for the Central District of California against Row 44 and one of its customers which Row 44 has agreed to indemnify for allegedly infringing two of its patents and seeking injunctive relief and unspecified monetary damages. Both of the patents are being reexamined by the U.S. Patent & Trademark Office. Based on currently available information, Row 44 believes that it has strong defenses and intends to defend vigorously against this lawsuit, but the outcome of this matter is inherently uncertain and could have a materially adverse effect on Row 44's business, financial condition and results of operations. The potential range of loss related to this matter cannot be determined.

On October 22, 2013, Arista Music, Sony Music Entertainment and certain parties believed to be related to the foregoing filed suit in the United States District Court for the Southern District of New York against Inflight Productions Ltd. ("IFP"), one of its customers and a third party contractor of IFP for copyright infringement and related claims and unspecified money damages. IFP is a direct subsidiary of AIA and an indirect subsidiary of the Company. The Company is in the process of evaluating the merits of this matter, and we intend to defend vigorously against this matter, however the outcome is inherently uncertain and could have a material adverse effect on the Company's business, financial condition and results of operations. The potential range of loss related to this matter cannot be determined.

On May 6, 2014, UMG Recordings, Inc., Capital Records, Universal Music Corp and entities affiliated with the foregoing (collectively, "UMG") filed suit in the United States District Court for the Central District of California against the Company and IFP for copyright infringement and related claims and unspecified money damages. The Company is in the process of evaluating the merits of this matter, and intends to defend against it vigorously; however the outcome is inherently uncertain and could have a material adverse effect on the Company's business, financial condition and results of operations. As of June 30, 2014, the potential range of loss related to this matter cannot be determined.

While the resolution of the above matter cannot be predicted with certainty, the Company does not believe, based on current knowledge, that the outcome of the currently pending claims or legal proceedings in which the Company is currently involved will have a material adverse effect on the Company's financial statements.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in response to Part I, Item 1A, of our 2013 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

The Board of Directors recommends you vote FOR the following proposal:

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

53

---

Table of Contents

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

See Exhibit Index attached hereto.

54

---

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 8<sup>th</sup> day of August 2014.

GLOBAL EAGLE ENTERTAINMENT INC.

By: /s/ David M. Davis

David M. Davis

Chief Executive Officer, Chief Financial Officer and Treasurer

(principal executive officer, principal financial officer and principal accounting officer)

55

---

Table of Contents

EXHIBIT INDEX

Exhibit	Description
2.1	Settlement Agreement and General Release, dated June 20, 2014, by and among Global Eagle Entertainment Inc., GEE Content Services Corporation, GEE Newco Corporation, PMG California, Inc., DTI Software FZ-LLC, Global Eagle Entertainment Luxembourg II S.a.r.l., Warnani PM, LLC, Richard Warren and Hamid Samnani.
10.1	Separation Agreement and General Release, dated as of July 9, 2014, by and between the Company and John LaValle (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35176), filed with the SEC on July 15, 2014).
10.2	Consulting Agreement, dated as of July 9, 2014, by and between the Company and John LaValle (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-35176), filed with the SEC on July 15, 2014).
10.3	Executive Employment Agreement, dated as of July 9, 2014, by and between the Company and David M. Davis (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 001-35176), filed with the SEC on July 15, 2014).
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer
101.1	The following financial information from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 formatted in eXtensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets as of June 30, 2014 (Unaudited) and December 31, 2013; (ii) Unaudited Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2014 and 2013; (iii) Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2014 and 2013; (iv) Unaudited Condensed Consolidated Statement of Stockholders' Equity for the six months ended June 30, 2014; (v) Unaudited Consolidated Statements of Cash Flows for the six months ended June 30, 2014 and 2013; and (vi) Notes to Unaudited Condensed Consolidated Financial Statements.