

MARVELL TECHNOLOGY GROUP LTD
Form 10-Q
September 10, 2008
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended August 2, 2008

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number: 0-30877

Marvell Technology Group Ltd.

(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction of
incorporation or organization)

77-0481679
(I.R.S. Employer
Identification No.)

Canon s Court, 22 Victoria Street, Hamilton HM 12, Bermuda

(441) 296-6395

(Address, including Zip Code, of principal executive offices and
registrant s telephone number, including area code)

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller reporting company

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

The number of common shares of the registrant outstanding as of August 31, 2008 was 610,937,198 shares.

Table of Contents

TABLE OF CONTENTS

		Page
	<u>PART I.FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	<u>Financial Statements:</u>	
	<u>Unaudited Condensed Consolidated Balance Sheets as of August 2, 2008 and February 2, 2008</u>	3
	<u>Unaudited Condensed Consolidated Statements of Operations for the three and six months ended August 2, 2008 and July 28, 2007</u>	4
	<u>Unaudited Condensed Consolidated Statements of Cash Flows for the six months ended August 2, 2008 and July 28, 2007</u>	5
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	6
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	27
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	37
<u>Item 4.</u>	<u>Controls and Procedures</u>	39
	<u>PART II.OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>	40
<u>Item 1A.</u>	<u>Risk Factors</u>	44
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	61
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	61
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>	61
<u>Item 5.</u>	<u>Other Information</u>	61
<u>Item 6.</u>	<u>Exhibits</u>	62
<u>Signatures</u>		63
<u>Exhibit Index</u>		64

Table of Contents**PART I: FINANCIAL INFORMATION****Item 1. Financial Statements****MARVELL TECHNOLOGY GROUP LTD.****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands)**

	August 2, 2008	February 2, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 859,309	\$ 615,648
Restricted cash	24,500	
Short-term investments	5,089	15,254
Accounts receivable, net	470,646	332,020
Inventories	326,924	419,494
Prepaid expenses and other current assets	78,587	105,809
Deferred income taxes	15,516	15,516
Total current assets	1,780,571	1,503,741
Property and equipment, net	412,988	416,241
Long-term investments	40,293	45,628
Goodwill	1,994,068	1,994,068
Acquired intangible assets, net	363,538	433,809
Other non-current assets	132,627	157,107
Total assets	\$ 4,724,085	\$ 4,550,594
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 237,039	\$ 231,135
Accrued liabilities	84,770	122,961
Accrued employee compensation	132,859	118,101
Income taxes payable	37,008	39,132
Deferred income	62,005	69,420
Current portion of capital lease obligations	1,933	2,463
Total current liabilities	555,614	583,212
Capital lease obligations, net of current portion	3,363	4,238
Non-current income taxes payable	116,481	108,543
Term loan obligations, long-term portion	288,750	390,750
Other long-term liabilities	53,185	52,332
Total liabilities	1,017,393	1,139,075
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Common shares	1,221	1,200
Additional paid-in capital	4,256,384	4,100,659
Accumulated other comprehensive income (loss)	(1,264)	615

Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 10-Q

Accumulated deficit	(549,649)	(690,955)
Total shareholders' equity	3,706,692	3,411,519
Total liabilities and shareholders' equity	\$ 4,724,085	\$ 4,550,594

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

MARVELL TECHNOLOGY GROUP LTD.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Three Months Ended			Six Months Ended
	August 2, 2008	July 28, 2007	August 2, 2008	
				(2)Dr. Rastetter held stock options to purchase an aggregate of 48,461 shares of common stock as of December 31, 2015.
(3)	Fees earned in cash by Dr. Mendlein in 2015 consist of (i) \$20,000 in fees paid pursuant to a consulting agreement with Dr. Mendlein unrelated to his service as a director and (ii) \$35,000 in fees paid to Dr. Mendlein in connection with his service as a director. Dr. Mendlein held stock options to purchase an aggregate of 80,023 shares of common stock as of December 31, 2015.			
(4)	Mr. Coughlin held stock options to purchase an aggregate of 43,076 shares of common stock as of December 31, 2015.			
(5)	Mr. Enyedy held stock options to purchase an aggregate of 50,769 shares of common stock as of December 31, 2015.			
(6)	Dr. Nashat held stock options to purchase an aggregate of 20,000 shares of common stock as of December 31, 2015.			
(7)	Dr. Epstein held stock options to purchase an aggregate of 40,000 shares of common stock as of December 31, 2015.			

Required Vote

The nominees receiving the highest number of affirmative votes of all the votes properly cast shall be elected as director to serve until the 2019 Annual Meeting of Stockholders or until their successors have been duly elected and qualified.

Recommendation of the Board of Directors

The Board of Directors recommends that the stockholders vote FOR the election of the nominees listed above.

Table of Contents**PROPOSAL 2****RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has appointed Ernst & Young LLP as the Company's independent registered public accounting firm for 2016. Representatives of Ernst & Young LLP will attend the Annual Meeting and will have the opportunity to make a statement if they desire to do so. They will also be available to respond to appropriate questions.

The Company's organizational documents do not require that the stockholders ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm, and stockholder ratification is not binding on the Company, the Board or the Audit Committee. The Company requests such ratification, however, as a matter of good corporate practice. Our Board, including our Audit Committee, values the opinions of our stockholders and, to the extent there is any significant vote against the ratification of the selection of Ernst & Young LLP as disclosed in this Proxy Statement, we will consider our stockholders' concerns and evaluate what actions may be appropriate to address those concerns, although the Audit Committee, in its discretion, may still retain Ernst & Young LLP.

The following table shows information about fees billed to the Company by Ernst & Young LLP for the fiscal years ended December 31, 2015 and 2014:

Fees billed by Ernst & Young LLP	2015	2014
Audit Fees(1)	\$ 372,179	\$ 294,804
Audit Related Fees		
Tax Fees	\$ 59,232	\$ 65,031
All Other Fees		
Total	\$ 431,411	\$ 359,835

(1) Includes fees associated with the annual audit of our financial statements, the reviews of our interim financial statements and the issuance of consent and comfort letters in connection with registration statements.

Audit Committee Pre-Approval Policies

The Audit Committee is directly responsible for the appointment, retention and termination, and for determining the compensation, of the Company's independent registered public accounting firm. The Audit Committee shall pre-approve all auditing services and the terms thereof and non-audit services (other than non-audit services prohibited under Section 10A(g) of the Exchange Act or the applicable rules of the SEC or the Public Company Accounting Oversight Board), except that pre-approval is not required for the provision of non-audit services if the de minimus provisions of Section 10A(i)(1)(B) of the Exchange Act are satisfied. The Audit Committee may delegate to the chairperson of the Audit Committee the authority to grant pre-approvals for audit and non-audit services, provided such approvals are presented to the Audit Committee at its next scheduled meeting. All services provided by Ernst & Young LLP during fiscal year 2015 were pre-approved by the Audit Committee in accordance with the pre-approval policy described above, and all audit-related fees, tax fees and other fees during the fiscal year 2015 were approved by the Audit Committee.

Required Vote

The ratification of the selection of Ernst & Young LLP requires the affirmative vote of a majority of the votes cast on the proposal at the Annual Meeting.

Recommendation of the Board of Directors

The Board of Directors recommends that the stockholders vote FOR the ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2016.

Table of Contents**EXECUTIVE OFFICERS**

The names of the executive officers of the Company, their ages as of March 1, 2016, and certain other information about them are set forth below (unless set forth elsewhere in this Proxy Statement).

Name	Age	Position
J. Scott Wolchko	46	President, Chief Executive Officer and Director
Daniel D. Shoemaker, Ph.D.	48	Chief Scientific Officer
Stewart Abbot, Ph.D.	49	Chief Development Officer
Cindy R. Tahl, J.D.	43	General Counsel and Corporate Secretary

The biographies of our executive officers, other than Mr. Wolchko, whose biography is set forth above, appear below.

Daniel D. Shoemaker, Ph.D. has served as our Chief Scientific Officer since May 2015 and oversees our discovery and preclinical research efforts. He previously served as our Chief Research Officer from January 2015 to May 2015, and as our Chief Technology officer from February 2009 to January 2015. From 2005 to 2009, Dr. Shoemaker was Chief Scientific Officer of ICxBiosystems, a biotechnology firm that develops advanced detection technologies for use in biodefense, cancer and prenatal diagnostics. From 2003 to 2005, he was Chief Scientific Officer of GHC Technologies, a biotechnology company. From 1998 to 2003, Dr. Shoemaker held several positions at Merck Research Laboratories, including Director of Target Discovery, Senior Director at Rosetta Inpharmatics and research fellow in the Department of Molecular Neurosciences, where his main focus was on target identification and biomarker discovery. Dr. Shoemaker received his Ph.D. in biochemistry from Stanford University and his B.S. in biochemistry from the University of California, Santa Barbara.

Stewart Abbot, Ph.D., has served as our Chief Development Officer since October 2015. Prior to that, Dr. Abbot served as our Vice President of Translational Research from July 2015. Previously, Dr. Abbot was Executive Director of Integrative Research at Celgene Cellular Therapeutics (CCT) from January 2013 to July 2015, where he led research activities for CCT that encompassed technology and product scouting, alliance identification and business development activities, including initiation of engineered T cell programs. He was Executive Director of Research at CCT from January 2010 to January 2013, and Senior Director of Research at CCT from June 2007 to December 2010. In these roles, Dr. Abbot led a group that developed novel therapeutic candidates based on hematopoietic stem cells and human placenta-derived cells and initiated clinical trials for placental cells. Prior to CCT, Dr. Abbot led General Electric's Molecular and Cellular Biology research laboratory at its Global Research Center in Albany, NY. Dr. Abbot received his Ph.D. in pathology from the University of London, his M.Sc. in biomedical engineering from the University of Strathclyde, and his B.Sc. in biological sciences from the University of Edinburgh.

Cindy R. Tahl, J.D., has served as our General Counsel and Corporate Secretary since October 2015. She previously served as our Vice President, IP and Senior Corporate Counsel since December 2013. From 2009 to 2013, Ms. Tahl served as our Senior Director, Intellectual Property and Corporate Counsel. From 2007 to 2009, Ms. Tahl was a technology transactions attorney at the law firm of Wilson Sonsini Goodrich and Rosati, P.C, and from 2004 to 2007 practiced intellectual property law in the New York office of Kenyon & Kenyon, LLP. Ms. Tahl received her J.D. from Boston College Law School and her B.S. in biology from the University of California, San Diego.

The biography of our former President and Chief Executive Officer, Dr. Weyer, appears below.

Christian Weyer, M.D., M.A.S. served as our President and Chief Executive Officer and a director from October 2012 until November 2015. Dr. Weyer joined us after a 12-year tenure with Amylin Pharmaceuticals, Inc. (Amylin), a

biopharmaceutical company, where he most recently served as Senior Vice President of Research and Development until the completion of Amylin's acquisition by Bristol-Myers Squibb in August 2012. During his tenure with Amylin, Dr. Weyer also served as Vice President of Medical Development and Vice President of Corporate Development. Prior to joining Amylin, he spent three years, from 1997 to 2000, with the National Institutes of Health, NIDDK, in Phoenix, Arizona, where he conducted clinical research on the pathogenesis of obesity and Type 2 diabetes. Dr. Weyer holds an M.D. from the University of Düsseldorf, Germany, and a postdoctoral M.A. in clinical research from the University of California, San Diego.

Table of Contents**COMPENSATION OF EXECUTIVE OFFICERS****Summary Compensation Table**

The following table presents information regarding the total compensation earned by each individual who served as our chief executive officer at any time during the fiscal year ended December 31, 2015 and our two other most highly compensated executive officers who were serving as executive officers as of December 31, 2015. We refer to these officers in this Proxy Statement as our named executive officers. The following table also sets forth information regarding total compensation awarded to, earned by and paid to each of our named executive officers during the fiscal year ending December 31, 2014.

Name and Principal Position as of December 31, 2015	Year	Salary (\$)	Stock Awards (\$)(1)(2)	Option Awards (\$)(2)	Non-Equity Incentive Plan	All Other Compensation	Total (\$)
					Compensation (\$)(3)	(\$)	
Christian Weyer, M.D., M.A.S., Former President, Chief Executive Officer and Director(4)	2015	366,027		341,020			707,047
	2014	350,000	26,250	510,080	78,750		965,080
J. Scott Wolchko, President, Chief Executive Officer and Director	2015	351,795	451,344(5)	238,714	54,944		1,096,797
	2014	310,000	13,950	433,568	41,850		799,368
Daniel D. Shoemaker, Ph.D., Chief Scientific Officer	2015	317,555	349,965(6)	238,714	50,563		956,797
	2014	265,000	11,923	433,568	48,510		759,001
Stewart Abbot, Ph.D., Chief Development Officer	2015	145,260	206,803(7)	567,182	20,806	80,000(8)	1,020,051
	2014						

- (1) Annual incentive compensation awarded in 2016 for performance during the year ended December 31, 2015 was paid in the form of cash and stock issued under the Company's 2013 Stock Option and Incentive Plan, with such stock being subject to certain transfer restrictions. Such incentive compensation paid to each of the named executive officers (except for the Chief Executive Officer) for performance during the year ended December 31, 2015 consisted of 65% paid in cash and 35% paid in restricted stock at a price equal to \$2.90 per share, the closing price of our common stock as reported on NASDAQ on January 8, 2016. The incentive compensation paid to the Chief Executive Officer for performance during the year ended December 31, 2015 consisted of 65% paid in cash and 35% paid in restricted stock at a price equal to \$2.70 per share, the closing price of our common stock as reported on NASDAQ on January 12, 2016. Details regarding these bonus payments are described below under "Bonuses." The amounts of these awards were determined based upon the achievement of performance metrics related to the Company's 2015 corporate objectives, including objectives pertaining to the Company's advancement of its clinical and preclinical programs and achievement of its corporate development and financing initiatives. Amounts in this column include (a) the portions of the above-described incentive compensation paid in the form of restricted stock and (b) the aggregate grant date fair value of restricted stock units granted to each

- individual in 2015.
- (2) In accordance with SEC rules, this column reflects the aggregate grant date fair value of the restricted stock units or option awards, as applicable, granted during 2015 computed in accordance with ASC 718. Assumptions used in the calculation of these amounts are included in Note 6 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. These amounts do not reflect the actual economic value that may be realized by the named executive officer upon the vesting of the restricted stock units or stock options, as applicable, the exercise of the stock options or the sale of the common stock underlying such restricted stock units or stock options, as applicable.
 - (3) The amounts in this column represent the portion paid in cash of the annual incentive compensation for performance during 2015, as described in footnote (1) above.

Table of Contents

- (4) Dr. Weyer voluntarily resigned as President and Chief Executive Officer (including his role as the Company's principal executive officer) effective November 30, 2015, and his salary was pro-rated accordingly. The amount disclosed for Dr. Weyer under Stock Awards represents the portion paid in cash of his annual incentive compensation for performance during 2014.
- (5) Mr. Wolchko received \$29,581 of restricted stock and \$421,763 of restricted stock units.
- (6) Dr. Shoemaker received \$27,225 of restricted stock and \$322,740 of restricted stock units.
- (7) Dr. Abbot received \$11,203 of restricted stock and \$195,600 of restricted stock units.
- (8) Consists of (a) a sign-on bonus of \$60,000 paid to Dr. Abbot upon the commencement of his employment and (b) \$20,000 in relocation expenses paid to Dr. Abbot in 2015.

Bonuses. In January 2015, the Board of Directors adopted the Company's Amended and Restated Senior Executive Incentive Bonus Plan (the Bonus Plan), which applies to certain key executives (the Executives), that are recommended by the Compensation Committee and selected by the Board of Directors. The Bonus Plan provides for bonus payments based upon the attainment of performance targets established by the Compensation Committee and related to scientific, operational and financial metrics with respect to the Company or any of its subsidiaries (the Performance Goals), which may include, among others, revenue; expense levels; business development and financing milestones; total shareholder return; earnings before interest, taxes, depreciation and amortization; net income (loss) (either before or after interest, taxes, depreciation and/or amortization); changes in the market price of the Company's common stock; economic value-added; sales or revenue, developmental, clinical or regulatory milestones; acquisitions or strategic transactions; operating income (loss); cash flow (including, but not limited to, operating cash flow and free cash flow); return on capital, assets, equity, or investment; stockholder returns; return on sales; gross or net profit levels; productivity; expense efficiency; margins; operating efficiency; customer satisfaction; clinical trial results; publications; reimbursement decisions; working capital; earnings (loss) per share of the Company's common stock; sales or market shares; number of customers or units of products sold; and operating income and/or net annual recurring revenue, any of which may be (i) measured in absolute terms or compared to any incremental increase, (ii) measured in terms of growth, (iii) compared to another company or companies or to results of a peer group, (iv) measured against the market as a whole and/or as compared to applicable market indices and/or (v) measured on a pre-tax or post-tax basis (if applicable). Further, any Performance Goals may be used to measure the performance of the Company as a whole or a business unit or other segment of the Company, or one or more product lines or specific markets. Any bonuses paid under the Bonus Plan will be based upon objectively determinable bonus formulas that tie such bonuses to one or more performance targets relating to the Performance Goals. The bonus formulas will be adopted in each performance period by the Compensation Committee and communicated to each Executive. No bonuses will be paid under the Bonus Plan unless and until the Compensation Committee makes a determination with respect to the attainment of the performance objectives. Notwithstanding the foregoing, the Compensation Committee may adjust bonuses payable under the Bonus Plan based on achievement of individual performance goals or pay bonuses (including, without limitation, discretionary bonuses) to Executives under the Bonus Plan based upon such other terms and conditions as the Compensation Committee may in its discretion determine. The bonuses payable under the Bonus Plan may be paid in equity or cash.

Equity Incentive Compensation. We generally grant stock options to our employees, including our named executive officers, in connection with their initial employment with us. We also have historically granted stock options on an annual basis as part of annual performance reviews of our employees. During 2015, the Company granted restricted stock units to certain employees and executives. The restricted stock units vest 50% after two years of continuous service from the date of grant, and the remaining 50% vest after four years of continuous service from the date of grant.

Table of Contents**Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth certain information with respect to outstanding equity awards as of December 31, 2015 with respect to our named executive officers.

Name	Option Awards				Stock Awards	
	Number of Securities underlying Unexercised Options (#) Exercisable	Number of Securities underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)(9)
J. Scott Wolchko, President, Chief Executive Officer and Director	31,637(1) 26,400(1) 3,376(3) 5,174(4) 46,041(5) 16,041(6)	(1) (1) 2,992(3) 4,672(4) 38,959(5) 53,959(6)	1.63 1.63 1.37 7.87 6.62 4.84	2/8/2022 2/8/2022 7/23/2022 8/11/2023 1/8/2024 1/4/2025	86,250(2)	290,663
Christian Weyer, M.D., M.A.S., Former President, Chief Executive Officer and Director	110,338(1) 190,885(1) 52,083(1) 20,833(1)	(1) (1) (1) (1)	1.37 1.37 6.62 4.84	2/29/2016 2/29/2016 2/29/2016 2/29/2016		
Daniel D. Shoemaker, Ph.D., Chief Scientific Officer	31,784(1) 19,200(1) 17,302(3) 5,174(4) 46,041(5) 16,041(6)	(1) (1) 2,992(3) 4,672(4) 38,959(5) 53,959(6)	1.63 1.63 1.37 7.87 6.62 4.84	2/8/2022 2/8/2022 7/23/2022 8/11/2023 1/8/2024 1/4/2025	66,000(2)	222,420
Stewart Abbot, Ph.D., Chief Development Officer	(7) 2,916(8)	70,000(7) 67,084(8)	6.90 4.89	8/2/2015 10/15/2025	40,000(2)	134,800

- (1) All outstanding options were fully vested as of December 31, 2015.
- (2) 50% of the restricted stock units vest on October 12, 2017, and the remaining 50% vest on October 12, 2019. This grant is subject to accelerated vesting upon a change of control of the Company and in the event of termination of employment under certain circumstances following a change of control of the Company.
- (3)

- The shares underlying this option vest in equal monthly installments over four years from July 3, 2012 through July 3, 2016. This grant is subject to accelerated vesting upon a change of control of the Company and in the event of termination of employment under certain circumstances following a change of control of the Company.
- (4) 63% of the shares underlying this option vest in equal monthly installments over four years from October 4, 2013 through October 4, 2017 and 37% of the shares underlying this option vest in equal monthly installments over two years from December 15, 2014 through December 15, 2016.
 - (5) The shares underlying this option vest in equal monthly installments over four years from October 4, 2013 through October 4, 2017.
 - (6) The shares underlying this option vest in equal monthly installments over four years from January 5, 2015 through January 5, 2019.
 - (7) 25% of the shares underlying this option vest on July 13, 2016, while the remaining 75% of shares underlying this option vest in equal monthly installments from August 13, 2016 through July 13, 2019. This grant is subject to accelerated vesting upon a change of control of the Company and in the event of termination of employment under certain circumstances following a change of control of the Company.
 - (8) The shares underlying this option vest in equal monthly installments over four years from October 12, 2015 through October 12, 2019. This grant is subject to accelerated vesting upon a change of control of the Company and in the event of termination of employment under certain circumstances following a change of control of the Company.
 - (9) This amount reflects the closing market price of a share of our common stock of \$3.37 as of December 31, 2015, multiplied by the amount shown in the column Stock Awards Number of shares or units of stock that have not vested.

Table of Contents

401(k) Savings Plan and Other Benefits

We have established a 401(k) plan to allow our employees to save on a tax-favorable basis for their retirement. We do not match any contributions made by any employees, including our named executive officers, pursuant to the plan. We also pay, on behalf of our employees, a portion of the premiums for health, life and disability insurance.

Employment Arrangements with Our Named Executive Officers

We consider it essential to the best interests of our stockholders to foster the continuous employment of our key management personnel. In this regard, we recognize that the possibility of a change in control may exist and that the uncertainty and questions that it may raise among management could result in the departure or distraction of management personnel to the detriment of the Company and our stockholders. In order to reinforce and encourage the continued attention and dedication of certain key members of management, we have entered into written employment agreements with certain of our named executive officers that, while at-will, contain certain change in control and severance provisions. A summary of such provisions is below.

Christian Weyer, M.D., M.A.S.

Dr. Weyer entered into an at-will employment agreement with us on October 2, 2012 and commenced employment with us on October 8, 2012. Dr. Weyer voluntarily resigned as President and Chief Executive Officer (including his role as the Company's principal executive officer) effective November 30, 2015. Beginning with the calendar year 2013, Dr. Weyer was considered annually for a bonus target of up to 50% of his then-current base salary, as determined by the Board of Directors or the Compensation Committee.

Payments Provided upon a Change of Control or Termination for Good Reason or Without Cause

Dr. Weyer's employment was at will. In the event of termination for good reason or without cause, Dr. Weyer was entitled to receive (i) the amount of his accrued but unpaid salary, earned but unpaid bonus, and any accrued but unused vacation as of the date of termination, (ii) reimbursement of any expenses properly incurred on behalf of the Company prior to any such termination and not yet reimbursed, (iii) continuation of his base salary for a period of twelve months after the effective date of termination, provided that such payments was to be reduced dollar-for-dollar by any amounts received from employment or self-employment during the severance period if such termination occurs before a change of control, and (iv) to the extent authorized by and consistent with COBRA, continuation of group health plan benefits, with the cost of such benefits shared in the same relative proportion by the Company and Dr. Weyer until the earlier of (x) twelve months after termination and (y) the date Dr. Weyer was to become eligible for benefits through another employer or otherwise becomes ineligible for COBRA. Entitlement to the benefits set forth in each of (iii) and (iv) above were subject to the execution and non-revocation of a separation agreement, including a release of claims against the Company and related persons and entities, resignation from any and all positions with the Company and our affiliates and return of all Company property.

In addition, (i) in the event of a change of control, 50% of any unvested shares underlying options subject to time-based vesting granted pursuant to the terms of Dr. Weyer's employment agreement shall vest immediately prior to such change of control and (ii) in the event that Dr. Weyer's employment was terminated without cause or for good reason at any time following a change of control, all unvested shares underlying options subject to time-based vesting granted pursuant to the terms of Dr. Weyer's employment agreement were to immediately vest. In the event that Dr. Weyer's employment was terminated without cause or for good reason at any time after the earlier to occur of the transaction milestone (as defined in Dr. Weyer's employment agreement) or a change of control, all unvested shares underlying the option that is subject to vesting upon a transaction milestone or change of control granted pursuant to

the terms of Dr. Weyer's employment agreement were to immediately vest. Any portion of the options granted to Dr. Weyer pursuant to the terms of his employment

Table of Contents

agreement that was (i) unvested but eligible for continued or accelerated vesting and (ii) not assumed or substituted on substantially the same terms by the acquirer in connection with such change of control, was to be converted into the right to receive the consideration payable to holders of common stock of the Company in connection with such change of control, which right will be subject to the vesting and acceleration provisions applicable to such option. Upon the closing of a change of control, Dr. Weyer's performance-based option were to terminate with respect to the number of performance-based option shares for which each applicable exit value is not achievable.

Under Dr. Weyer's employment agreement, the terms below were generally defined as follows:

cause means: (i) embezzlement, misappropriation of material assets or property of the Company; (ii) the conviction of, or plea of guilty or no contest to a felony or a crime involving moral turpitude, theft or securities laws violations; (iii) ongoing and repeated failure or refusal to perform or neglect of the employee's lawful duties and responsibilities to the Company, which continues after receiving written notice from the Board of Directors and which has not been cured within 30 days of such notice; or (iv) the employee's uncured breach of the employment agreement or related agreements with the Company, which breach, if capable of being cured, is not cured within 30 days of receipt of written notice thereof or within the applicable notice and cure periods, if any, provided in the applicable agreement;

change of control means (i) the liquidation, dissolution or winding up of the Company; (ii) the acquisition of the Company by means of any transaction or series of related transactions in which the Company's stockholders immediately prior to such transaction hold less than 50% of the voting power of the surviving or acquiring entity; or (iii) the sale, conveyance or other disposal of all or substantially all of the property or business of the Company; provided that a change of control will not include (x) a merger or consolidation with a wholly-owned subsidiary of the Company, (y) a merger effected exclusively for the purpose of changing the domicile of the Company or (z) any transaction or series of related transactions principally for bona fide equity financing purposes in which the Company is the surviving corporation; and

good reason means that the employee has complied with the appropriate notice procedures following the occurrence of any of the following without the employee's express prior written consent: (i) the material diminution in the employee's responsibilities, authority and function; (ii) a material reduction in the employee's base salary that is not pursuant to a salary reduction program affecting substantially all senior level employees of the Company that does not affect the employee to a greater extent than other similarly situated employees; or (iii) a change in the employee's workplace location of more than 50 miles except for required travel on Company business.

J. Scott Wolchko

Mr. Wolchko entered into an at-will employment agreement and commenced employment with us on September 17, 2007. The employment agreement was amended on November 11, 2008. On January 12, 2016, in connection with his appointment as President and CEO, we entered into a new employment agreement with Mr. Wolchko (the "CEO Employment Agreement"), which superseded his prior employment agreement with us. Pursuant to the CEO Employment Agreement, Mr. Wolchko is eligible to receive annual incentive compensation, for which the initial target annual incentive compensation will be 50% of his then-current annual base salary, as determined by the Board or the Compensation Committee.

Payments Provided upon a Change of Control or Termination for Good Reason or Without Cause

Mr. Wolchko's employment is at-will. Upon any termination of his employment, Mr. Wolchko will be entitled to receive (i) the amount of his accrued but unpaid salary and unpaid expense reimbursements and any accrued but unused vacation as of the date of termination, (ii) any vested benefits Mr. Wolchko may have under any employee

benefit plan, which shall be paid in accordance with the terms of such employee benefit plans, as of the date of termination, and (iii) any earned but unpaid incentive compensation from the prior calendar year.

Table of Contents

In the event that Mr. Wolchko's employment is terminated by the Company without Cause or by Mr. Wolchko for Good Reason (as such terms are defined below), subject to his execution of a separation agreement and release, Mr. Wolchko will be entitled, in addition to the amounts described in clauses (i) through (iii) of the third paragraph hereunder, to (i) a cash payment equal to the sum of twelve (12) months of Mr. Wolchko's then-current base salary and his annual target incentive compensation in the year of termination, (ii) full acceleration of the vesting provisions of all outstanding stock options or other stock-based awards containing performance-based vesting conditions, if such performance-based vesting condition has been satisfied as of the date of termination, and (iii) payment of the premiums for Mr. Wolchko's and his family's participation in the Company's group health care plans, subject to Mr. Wolchko's copayment amount, for up to twelve (12) months after termination.

In the event that Mr. Wolchko's employment is terminated by the Company without Cause or by Mr. Wolchko for Good Reason within three months prior to and eighteen (18) months after a Sale Event (as such term is defined below), subject to his execution of a separation agreement and release, Mr. Wolchko is entitled, in addition to the amounts described in clauses (i) through (iii) of the third paragraph hereunder, to (i) a cash payment equal to the sum of eighteen (18) months of Mr. Wolchko's then-current base salary and 1.5 times his annual target incentive compensation in the year of termination, (ii) full acceleration of the vesting provisions of all outstanding stock options or other stock-based awards; provided, that for any stock options or awards that include a performance-based vesting condition, no acceleration will be provided unless the performance-based vesting condition has been satisfied as of the date of Mr. Wolchko's termination, and (iii) payment of the premiums for Mr. Wolchko's and his family's participation in the Company's group health care plans, subject to Mr. Wolchko's copayment amount, for up to eighteen (18) months after termination.

Under the CEO Employment Agreement, the terms below are generally defined as follows:

Cause means, (i) conduct by the employee constituting a material act of misconduct in connection with the performance of the employee's duties, including, without limitation, misappropriation of funds or property of the Company or any of its subsidiaries or affiliates other than the occasional, customary and *de minimis* use of Company property for personal purposes; (ii) the commission by the employee of (A) any felony; or (B) a misdemeanor involving moral turpitude, deceit, dishonesty or fraud; (iii) any conduct by the employee that would reasonably be expected to result in material injury or reputational harm to the Company or any of its subsidiaries and affiliates if the employee were retained in the employee's position; (iv) continued material and substantial non-performance by the employee of the employee's material responsibilities hereunder (other than by reason of the employee's physical or mental illness, incapacity or disability) which has continued for more than 30 days following written notice of such non-performance from the Board; (v) a material and substantial breach by the employee of any of the employee's confidentiality, noncompetition, nonsolicitation or other similar restrictive covenant obligations to the Company; (vi) a material and substantial violation by the employee of any of the Company's written employment policies; or (vii) failure to cooperate with a bona fide internal investigation by or on behalf of the Board or an authorized committee thereof or an investigation by regulatory or law enforcement authorities, after being instructed by the Company to cooperate, or the willful destruction or failure to preserve documents or other materials known to be relevant to such investigation or the inducement of others to fail to cooperate or to produce documents or other materials in connection with such investigation.

Sale Event means (i) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (ii) a merger, reorganization or consolidation pursuant to which the holders of the Company's outstanding voting power and outstanding stock immediately prior to such transaction do not own a majority of the outstanding voting power and outstanding stock or other equity interests of the resulting or successor entity (or its ultimate parent, if applicable) immediately upon completion of such transaction, (iii) the sale of all of the common stock of the Company to an unrelated person, entity or group thereof acting in concert, or (iv) any other

transaction in which the owners of the Company's outstanding voting power immediately prior to such

Table of Contents

transaction do not own at least a majority of the outstanding voting power of the Company or any successor entity immediately upon completion of the transaction other than as a result of the acquisition of securities directly from the Company; and

Good Reason means that the employee has complied with the appropriate notice process following the occurrence of any of the following events: (i) a material diminution in the employee's responsibilities, authorities, powers, functions or duties; (ii) a material reduction in the employee's then-current Base Salary or target annual incentive compensation, except for across-the-board reductions based on the Company's financial performance similarly affecting all or substantially all senior management employees of the Company; or (iii) the relocation of the employee's principal place of business to a place that is more than twenty-five (25) miles from the employee's current location of employment as of the effective date of the employment agreement. Notwithstanding the foregoing, none of the following shall be considered good reason: (x) the mere occurrence of a Sale Event; (y) any change in the identity of the surviving corporation in the event of a Sale Event; or (z) any change in the status of the surviving corporation after a Sale Event as a public or private Company.

Daniel D. Shoemaker, Ph.D.

Dr. Shoemaker is a party to an at-will employment offer letter with us, dated February 11, 2009 (the Shoemaker Offer Letter). Pursuant to the Shoemaker Offer Letter and the Bonus Plan, Dr. Shoemaker is eligible to receive annual incentive compensation at a target percentage of his then-current annual base salary, as determined by the Board or the Compensation Committee.

Payments Provided upon a Change of Control or Termination for Good Reason or Without Cause

Dr. Shoemaker's employment is at-will. Pursuant to the Shoemaker Offer Letter, if, within twelve (12) months after a Change of Control (as defined in the Company's 2007 Equity Incentive Plan), Dr. Shoemaker's employment with the Company is terminated at any time without Cause or for Good Reason, he is entitled to receive (i) a cash payment equal to six (6) months of his then-current base salary and (ii) reimbursement for six (6) months of COBRA benefits.

Under the Shoemaker Offer Letter, the terms above are generally defined as follows:

Cause means (i) conviction of any felony or any crime involving fraud, dishonesty or moral turpitude under the laws of the United States or any state thereof; (ii) attempted commission of, or participation in, a fraud against the Company; (iii) material violation of any contract or agreement between Dr. Shoemaker and the Company or any statutory duty owed to the Company, unless such violation is cured to the reasonable satisfaction of the Company within ten (10) days after the delivery to Dr. Shoemaker of written notice specifying such violation; or (iv) repeated or habitual drug or alcohol use that materially and adversely interferes with the performance of Dr. Shoemaker's services to the Company.

Change of Control means (i) the liquidation, dissolution or winding up of the Company; (ii) the acquisition of the Company by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger, share exchange or consolidation) provided that the applicable transaction shall not be deemed a Change of Control unless the Company's stockholders constituted immediately prior to such transaction hold less than fifty percent (50%) of the voting power of the surviving or acquiring entity; or (iii) the sale, conveyance or other disposal of all or substantially all of the property or business of the Company; provided that a Change of Control shall not include (x) a merger or consolidation with a wholly-owned subsidiary of the Company, (y) a merger effected exclusively for the purpose of changing the domicile of the Company or (z) any transaction or series of related transactions principally for bona fide equity financing purposes in which the Company is the surviving corporation.

Table of Contents

Good Reason means compliance with the Good Reason Process (as defined below) following the occurrence of any of the following events: (i) a reduction by fifteen (15) or greater percent by the Company or any successor thereof of Dr. Shoemaker's then-current base salary (provided however, that in the event that the base salary of all senior management are similarly reduced, such material reduction will not constitute Good Reason); (ii) a material reduction by the Company or any successor thereof in Dr. Shoemaker's kind or level of employee benefits with the result that his overall benefits package is significantly reduced (provided however, that in the event the benefits of all senior management are similarly reduced, such material reduction will not constitute Good Reason); or (iii) Dr. Shoemaker's relocation to a facility or a location more than fifty (50) miles from the Company's headquarters as of the date of this letter. Notwithstanding the above, none of the following shall be considered Good Reason: (x) the mere occurrence of a Change of Control; (y) any change in the identity of the surviving corporation in the event of a Change of Control; or (z) any change in the status of the surviving corporation after a Change of Control as a private or public company.

Good Reason Process means that (i) Dr. Shoemaker determines in good faith that a Good Reason condition has occurred; (ii) Dr. Shoemaker notifies the Company in writing of the occurrence of the Good Reason condition within sixty (60) days of the occurrence of such condition; (iii) Dr. Shoemaker cooperates in good faith with the Company's efforts, for a period not less than thirty (30) days following such notice (the Cure Period), to remedy the condition; (iv) notwithstanding such efforts, the Good Reason condition continues to exist; and (v) Dr. Shoemaker delivers to the Company notice of termination of his employment within sixty (60) days after the end of the Cure Period. If the Company cures the Good Reason condition during the Cure Period, Good Reason shall be deemed not to have occurred.

Stewart Abbot, Ph.D.

Dr. Abbot is a party to an at-will employment offer letter with us, dated June 29, 2015 (the Abbot Offer Letter). Pursuant to the Abbot Offer Letter and the Bonus Plan, Dr. Abbot is eligible to receive annual incentive compensation at a target percentage of his then-current annual base salary, as determined by the Board or the Compensation Committee.

Payments Provided upon a Sale Event or Termination for Good Reason or for Cause

Dr. Abbot's employment is at-will. Upon a Sale Event (as such term is defined in the Company's 2013 Stock Option and Equity Incentive Plan), Dr. Abbot is entitled to receive acceleration of the vesting provisions of 50% of the then-unvested shares underlying the outstanding stock option to purchase 70,000 shares of common stock that was initially granted to Dr. Abbot pursuant to the Abbot Offer Letter (the Abbot Option). In addition, if within twelve (12) months after a Sale Event, Dr. Abbot's employment with the Company is terminated without Cause or for Good Reason, he shall receive full acceleration of the vesting provisions of all remaining unvested shares underlying the Abbot Option.

Under the Abbot Offer Letter, the terms above are generally defined as follows:

Cause means (i) embezzlement, misappropriation of material assets or property of the Company; (ii) the conviction of, or a plea of guilty or nolo contendere to, a felony, or any crime involving moral turpitude, theft or the violation of applicable securities laws; (iii) ongoing and repeated failure or refusal to perform or neglect of Dr. Abbot's lawful duties and responsibilities to the Company; or (iv) Dr. Abbot's breach of the Abbot Offer Letter or any other agreement with the Company which breach, if capable of cure, is not cured within thirty (30) days after receipt of written notice thereof or otherwise within the applicable notice and cure periods, if any, provided in the applicable agreement.

Good Reason means the occurrence of any of the following actions undertaken by the Company without Dr. Abbot's consent: (i) the material diminution in Dr. Abbot's responsibilities, authority and function; (ii) a material reduction in Dr. Abbot's base salary, provided, however, that Good Reason will

Table of Contents

not be deemed to have occurred in the event of a reduction in Dr. Abbot's base salary that is pursuant to a salary reduction program affecting substantially all of the senior level employees of the Company and that does not adversely affect Dr. Abbot to a greater extent than other similarly situated employees; or (iii) a change in the geographic location of the Company's headquarters of more than fifty (50) miles.

Sale Event means (i) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (ii) a merger, reorganization or consolidation pursuant to which the holders of the Company's outstanding voting power and outstanding stock immediately prior to such transaction do not own a majority of the outstanding voting power and outstanding stock or other equity interests of the resulting or successor entity (or its ultimate parent, if applicable) immediately upon completion of such transaction, (iii) the sale of all of the Company's common stock to an unrelated person, entity or group thereof acting in concert, or (iv) any other transaction in which the owners of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the Company or any successor entity immediately upon completion of the transaction other than as a result of the acquisition of securities directly from the Company.

Securities Authorized for Issuance under Equity Compensation Plans

The table below sets forth information regarding our equity compensation plans in effect as of December 31, 2015:

Plan Category	Equity Compensation Plan Information		
	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plan (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders: 2007 Equity Incentive Plan and 2013 Stock Option and Incentive Plan(1)	2,587,474	\$ 4.59	908,288
Equity compensation plans not approved by security holders:			
Total	2,587,474	\$ 4.59	908,288

- (1) The number of shares of stock available for issuance under the 2013 Stock Option and Incentive Plan will be automatically increased each January 1, beginning on January 1, 2014, by 4% of the outstanding number of shares of the Company's common stock on the immediately preceding December 31 or such lesser number as determined by the compensation committee of the Company's Board of Directors.

Table of Contents

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Other than the compensation agreements and other arrangements described under Compensation of Executive Officers and the transactions described below, since the beginning of the fiscal year ended December 31, 2015, there has not been and there is not currently proposed, any transaction or series of similar transactions to which we were, or will be, a party in which the amount involved exceeded, or will exceed, \$120,000 and in which any director, executive officer, holder of five percent or more of any class of our capital stock or any member of the immediate family of, or entities affiliated with, any of the foregoing persons, had, or will have, a direct or indirect material interest.

Indemnification Agreements

We have entered into indemnification agreements with or have contractual obligations to provide indemnification to each of our directors and intend to enter into such agreements with certain of our executive officers. These agreements require us, among other things, to indemnify these individuals for certain expenses (including attorneys' fees), judgments, fines and settlement amounts reasonably incurred by such person in any action or proceeding, including any action by or in our right, on account of any services undertaken by such person on behalf of the Company or that person's status as a member of our Board of Directors to the maximum extent allowed under Delaware law.

Restricted Stock and Stock Option Awards

For information regarding stock option awards and other equity incentive awards granted to our named executive officers and directors, see Election of Directors Director Compensation and Compensation of Executive Officers.

Procedures for Approval of Related Person Transactions

The Audit Committee conducts an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis, and the approval of the Audit Committee is required for all such transactions. The Audit Committee follows the policies and procedures set forth in our Related Person Transaction Policy in order to facilitate such review. The Related Person Transaction Policy is written.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information with respect to the beneficial ownership of shares of our common stock by (i) each director, (ii) each named executive officer, (iii) all directors and executive officers as a group, and (iv) each person who we know beneficially owns more than 5% of our common stock as of March 15, 2016.

Beneficial ownership is determined in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities and include shares of common stock issuable upon the exercise of stock options that are immediately exercisable or exercisable within 60 days after March 15, 2016, but excludes unvested stock options. Except as otherwise indicated, all of the shares reflected in the table are shares of common stock and all persons listed below have sole voting and investment power with respect to the shares beneficially owned by them, subject to applicable community property laws. The information is not necessarily indicative of beneficial ownership for any other purpose.

In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed outstanding shares of common stock subject to options or warrants held by that person that are currently exercisable or exercisable within 60 days of March 15, 2016. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person. Shares beneficially owned include restricted shares of common stock acquired upon any early exercise of stock options granted under our 2007 Equity Incentive Plan.

Percentage ownership calculations for beneficial ownership for each person or entity are based on 28,861,711 shares outstanding as of March 15, 2016.

Name and Address of Beneficial Owner(1)	Number of Shares Beneficially Owned as of March 15, 2016	Number of Restricted Stock Units Vesting or Stock Options Exercisable Within 60 Days of March 15, 2016	Total	Percentage of Class
5% or Greater Stockholders:				
ARCH Venture Fund VI, L.P.(2)	2,473,188		2,473,188	8.57%
Entities affiliated with Polaris Venture Partners(3)	2,473,186		2,473,186	8.57%
Entities affiliated with Venrock Associates(4)	2,473,187		2,473,187	8.57%
Redmile Group, LLC(5)	2,371,001		2,371,001	8.22%
FMR LLC(6)	4,307,485		4,307,485	14.92%
Kingdon Capital Management, L.L.C.	2,596,489		2,596,489	9.00%
All 5% Stockholders as a group	16,694,536		16,694,536	57.84%
Named Executive Officers and Directors:				
Christian Weyer, M.D., M.A.S.	130,429		130,429	*
J. Scott Wolchko(7)	139,479	168,084	307,563	1.07%

Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 10-Q

William H. Rastetter, Ph.D.(8).	201,693	20,000	221,693	*
John D. Mendlein, Ph.D.(9)	156,774	51,562	208,336	*
Timothy P. Coughlin		35,849	35,849	*
Mark Enyedy		48,845	48,845	*
Robert S. Epstein		34,444	34,444	*
Amir Nashat, Sc.D.(3).	2,473,186	20,000	2,493,186	8.64%
Daniel D. Shoemaker, Ph.D.(10)	103,816	167,607	271,423	*
Stewart Abbot, Ph.D.(11)	43,863	22,608	66,471	*
All executive officers and directors as a group (10 persons)(12)	3,128,457	638,671	3,941,420	13.66%

Table of Contents

- * Represents beneficial ownership of less than 1% of the shares of common stock.
- (1) Unless otherwise indicated, the address for each beneficial owner is c/o Fate Therapeutics, Inc., 3535 General Atomics Court, Suite 200, San Diego, CA 92121.
 - (2) Based on Schedule 13D/A filed on June 24, 2015, the ownership of ARCH Venture Fund VI, L.P. (ARCH Fund VI) consists of an aggregate of 2,473,188 shares of common stock. The sole general partner of ARCH Fund VI is ARCH Venture Partners VI, L.P. (ARCH Partners VI), which may be deemed to beneficially own the shares held by ARCH Fund VI. The sole general partner of ARCH Partners VI is ARCH Venture Partners VI, LLC (ARCH VI LLC), which may be deemed to beneficially own the shares held by ARCH Fund VI. The managing directors of ARCH VI LLC are Keith Crandell, Clinton Bybee and Robert Nelsen, and they may be deemed to beneficially own the shares held by ARCH Fund VI. Each of Messrs. Crandell, Bybee and Nelsen disclaims beneficial ownership of these securities, except to the extent of his pecuniary interest therein. The mailing address of the beneficial owner is 8725 West Higgins Road, Suite 290, Chicago, IL 60631.
 - (3) Based on Schedule 13D filed on October 11, 2013 and consists of: (i) an aggregate of 2,386,464 shares of common stock held by Polaris Venture Partners V, L.P. (Polaris Ventures), (ii) an aggregate of 46,511 shares of common stock held by Polaris Venture Partners Entrepreneurs Fund V, L.P. (Polaris Entrepreneurs Fund), (iii) an aggregate of 16,347 shares of common stock held by Polaris Venture Partners Founders Fund V, L.P. (Polaris Founders Fund) and (iv) an aggregate of 23,864 shares of common stock held by Polaris Venture Partners Special Founders Fund V, L.P. (Polaris Special Founders Fund). Each of the funds has sole voting and investment power with respect to the shares held by such funds. The general partner of Polaris Ventures, Polaris Entrepreneurs Fund, Polaris Founders Fund and Polaris Special Founders Fund is Polaris Venture Management Co. V, LLC (Polaris Management), and Polaris Management may be deemed to have sole voting and investment power over such shares. Director Amir Nashat is one of six members of Polaris Management. He has shared voting and investment power over such shares and may be deemed the indirect beneficial owner of such shares. Dr. Nashat disclaims beneficial ownership over such shares, except to the extent of any pecuniary interest therein. The members of North Star Venture Management 2010 LLC are also members of Polaris Management, and as members of the general partner, they may be deemed to share voting and investment power over such shares. The principals of North Star Venture Management 2010 LLC disclaim beneficial ownership of such shares, except to the extent of their proportionate pecuniary interest therein. The mailing address of the beneficial owner is 1000 Winter Street, Suite 3350, Waltham, MA 02451.
 - (4) Based on Schedule 13D filed on October 11, 2013 and consists of: (i) an aggregate of 2,231,558 shares of common stock held by Venrock Associates V, L.P. (Venrock Associates), (ii) an aggregate of 189,198 shares of common stock held by Venrock Partners V, L.P. (Venrock Partners) and (iii) an aggregate of 52,431 shares of common stock held by Venrock Entrepreneurs Fund V, L.P. (Venrock Entrepreneurs). The sole general partner of Venrock Associates is Venrock Management V, LLC (Venrock Management V). The sole general partner of Venrock Partners is Venrock Partners Management V, LLC (Venrock Partners Management V). VM5, VPM5 and VEFM5 disclaim beneficial ownership over all shares held by Venrock, Venrock Partners and Venrock Entrepreneurs, except to the extent of any pecuniary interest therein. The sole general partner of Venrock Entrepreneurs is VEF Management V, LLC (VEF). Director William H. Rastetter, Ph.D. was formerly a partner of Venrock Associates, but does not have voting or investment control over the shares held by the Venrock entities. The mailing address of the beneficial owner is 3340 Hillview Avenue, Palo Alto, CA 94304.
 - (5) Based on Schedule 13G/A filed February 16, 2016, the ownership of Redmile Group, LLC (Redmile) consists of an aggregate of 2,371,001 shares of common stock owned by certain investment limited partnerships, pooled investment vehicle(s), separately managed accounts, etc. for which Redmile serves as the general partner and/or investment manager. Redmile, as the general partner and/or investment manager to the limited partnerships, pooled investment vehicle(s), separately managed accounts, etc. and Jeremy Green, as the majority managing member and owner of Redmile, may therefore be deemed to beneficially own the shares owned by such investment limited partnerships, pooled investment vehicle(s), separately managed accounts, etc., insofar as they may be deemed to have the power to direct the voting or disposition of those shares. Each of Redmile and Jeremy

Green disclaims beneficial ownership as to the shares, except to the extent of his or its pecuniary interests therein. The mailing address of the beneficial owners is One Letterman Drive, Bldg D, Ste D3-300, San Francisco, CA 94129.

Table of Contents

- (6) Based on Schedule 13G/A filed on February 12, 2016 and includes: (i) an aggregate of 1,800,706 shares of common stock held by Fidelity Growth Company Fund, and (ii) an aggregate of 1,760,366 shares of common stock held by Select Biotechnology Portfolio. Abigail P. Johnson and FMR LLC, through its control of Fidelity Management & Research Company, and the funds each has sole power to dispose of the 4,307,485 shares owned by the funds. Abigail P. Johnson is a Director, the Vice Chairman, the Chief Executive Officer and the President of FMR LLC. Members of the family of Abigail P. Johnson are the predominant owners of FMR LLC and may be deemed 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, 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 mailing address of the beneficial owner is 245 Summer Street, Boston, MA 02210.
- (7) Consists of 168,084 shares of common stock issuable pursuant to stock options exercisable within 60 days of March 15, 2016.
- (8) Consists of (i) 83,333 shares of common stock held by The Investment 2002 Trust dated November 11, 2001 (the Investment Trust), (ii) 118,360 shares of common stock held by The Rastetter Family Trust, dated September 2, 2010 (the Rastetter Family Trust), and (iii) options to purchase 10,000 shares of common stock that are exercisable within 60 days of March 15, 2016 held by Dr. Rastetter. William Rastetter is the sole trustee of the Investment Trust and has sole dispositive power over the shares held by this entity. William Rastetter and Marisa Gard Rastetter, as co-trustees of the Rastetter Family Trust, share dispositive power over the shares held by this entity.
- (9) Of the 156,744 shares of common stock owned of record by Dr. Mendlein, 26,270 shares are subject to the Company s right of repurchase as of March 15, 2016; of the 51,562 options to purchase shares of common stock that are exercisable within 60 days of March 15, 2016, 683 shares, if exercised, would be subject to the Company s right of repurchase as of March 15, 2016.
- (10) Consists of 167,607 shares of common stock issuable pursuant to stock options exercisable within 60 days of March 15, 2016.
- (11) Consists of 22,608 shares of common stock issuable pursuant to stock options exercisable within 60 days of March 15, 2016.
- (12) Includes the number of shares beneficially owned by the executive officers and directors listed in the above table, as well as (i) 53,509 shares of common stock owned of record by Cindy R. Tahl, our General Counsel and Corporate Secretary and (ii) options to purchase 69,672 shares of common stock that are exercisable within 60 days of March 15, 2016 held by Ms. Tahl.

Table of Contents

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership (Forms 3, 4 and 5) with the SEC. Officers, directors and greater than 10% stockholders are required to furnish us with copies of all such forms which they file.

To our knowledge, based solely on our review of such reports or written representations from certain reporting persons, we believe that all of the filing requirements applicable to our officers, directors, greater than 10% beneficial owners and other persons subject to Section 16 of the Exchange Act were complied with during the year ended December 31, 2015.

Table of Contents

The following Audit Committee Report is not considered proxy solicitation material and is not deemed filed with the Securities and Exchange Commission. Notwithstanding anything to the contrary set forth in any of the Company's filings made under the Securities Act of 1933 or the Exchange Act that might incorporate filings made by the Company under those statutes, the Audit Committee Report shall not be incorporated by reference into any prior filings or into any future filings made by the Company under those statutes.

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors (the "Audit Committee") has furnished this report concerning the independent audit of the Company's financial statements. Each member of the Audit Committee meets the enhanced independence standards established by the Sarbanes-Oxley Act of 2002 and rulemaking of the Securities and Exchange Commission (the "SEC") and the NASDAQ Stock Market regulations. A copy of the Audit Committee Charter is available on the Company's website at <http://www.fatetherapeutics.com>.

The Audit Committee's responsibilities include assisting the Board of Directors regarding the oversight of the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the independent registered public accounting firm's qualifications and independence, and the performance of the Company's internal audit function and the independent registered public accounting firm.

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the Company's financial statements for the fiscal year ended December 31, 2015 with the Company's management and Ernst & Young LLP. In addition, the Audit Committee has discussed with Ernst & Young LLP, with and without management present, their evaluation of the Company's internal accounting controls and overall quality of the Company's financial reporting. The Audit Committee also discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 114 (formerly SAS 61), as amended (AICPA, *Professional Standards*, Vol. 1 AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee also received the written disclosures and the letter from Ernst & Young LLP required by the Public Company Accounting Oversight Board Rule 3526 and the Audit Committee discussed the independence of Ernst & Young LLP with that firm.

Based on the Audit Committee's review and discussions noted above, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, that the audited financial statements be included in the Company's Annual Report for the fiscal year ended December 31, 2015.

The Audit Committee and the Board of Directors have recommended the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2016.

AUDIT COMMITTEE

TIMOTHY P. COUGHLIN, CHAIRMAN
MARK J. ENYEDY
WILLIAM H. RASTETTER, PH.D.

Table of Contents

HOUSEHOLDING OF PROXY MATERIALS

We have made available a procedure approved by the SEC known as householding. This procedure allows multiple stockholders residing at the same address the convenience of receiving a single copy of our Notice, Annual Report on Form 10-K and proxy materials, as applicable. This allows us to save money by reducing the number of documents we must print and mail, and helps protect the environment as well.

Householding is available to both registered stockholders (i.e., those stockholders with certificates registered in their name) and streetname holders (i.e., those stockholders who hold their shares through a brokerage).

Registered Stockholders

If you are a registered stockholder and would like to consent to a mailing of proxy materials and other stockholder information only to one account in your household, as identified by you, we will deliver or mail a single copy of our Annual Report and proxy materials for all registered stockholders residing at the same address. Your consent will be perpetual unless you revoke it, which you may do at any time by contacting the Householding Department of American Stock Transfer & Trust Company, LLC (AST), at One Embarcadero Center, Suite 530, San Francisco, CA 94111.

Registered stockholders who have not consented to householding will continue to receive copies of Annual Reports and proxy materials for each registered stockholder residing at the same address. As a registered stockholder, you may elect to participate in householding and receive only a single copy of Annual Reports or proxy statements for all registered stockholders residing at the same address by contacting AST as outlined above.

Street Name Holders

Stockholders who hold their shares through a brokerage may elect to participate in householding or revoke their consent to participate in householding by contacting their respective brokers.

Table of Contents

OTHER MATTERS

We are not aware of any matters that may come before the meeting other than those referred to in the Notice. If any other matter shall properly come before the Annual Meeting, however, the persons named in the accompanying proxy intend to vote all proxies in accordance with their best judgment.

Accompanying this Proxy Statement is our Annual Report. Copies of our Annual Report are available free of charge on our website at www.fatetherapeutics.com or you can request a copy free of charge by calling Investor Relations at (858) 875-1800 or sending an e-mail request to Investor Relations by accessing our website (www.fatetherapeutics.com), selecting the Investors & Media tab and then selecting Contact Us. Please include your contact information with the request.

By Order of the Board of Directors

Fate Therapeutics, Inc.

Sincerely,

/s/ J. Scott Wolchko

J. Scott Wolchko

President and Chief Executive Officer

San Diego, California

March 30, 2016

Table of Contents

Table of Contents

Table of Contents