

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 March 31, 2014

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: 001-35668

INTERCEPT PHARMACEUTICALS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	22-3868459
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
450 West 15 th Street, Suite 505 New York, NY	10011
(Address of Principal Executive Offices)	(Zip Code)
(646) 747-1000	
(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. Yes No

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	x
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

As of April 30, 2014, there were 21,087,357 shares of common stock, \$0.001 par value per share, outstanding.

Intercept Pharmaceuticals, Inc.
(A Development Stage Company)
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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “target,” “potential,” “will,” “would,” “could,” “should,” “continue,” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements include, among other things, statements about:

- the initiation, cost, timing, progress and results of our development activities, preclinical studies and clinical trials;
- the timing of and our ability to obtain and maintain regulatory approval of obeticholic acid, or OCA, and any other product candidates we may develop, and any related restrictions, limitations, and/or warnings in the label of any approved product candidates;
- our plans to research, develop and commercialize our product candidates;
- our collaborators’ election to pursue research, development and commercialization activities;
- our ability to attract collaborators with development, regulatory and commercialization expertise;
- our ability to obtain and maintain intellectual property protection for our product candidates;
- our ability to successfully commercialize our product candidates;
- the size and growth of the markets for our product candidates and our ability to serve those markets;
- the rate and degree of market acceptance of any future products;
- the success of competing drugs that are or become available;
- regulatory developments in the United States and other countries;
- the performance of our third-party suppliers and manufacturers;
- our need for and ability to obtain additional financing;
- our estimates regarding expenses, future revenues and capital requirements and the accuracy thereof;
- our use of the proceeds from our initial public offering in October 2012 and our follow-on public offerings of common stock in June 2013 and April 2014;
- our expectations regarding the time during which we will be an emerging growth company under the Jumpstart Our Business Startup Act, or JOBS Act;
- our estimates regarding expenses, future revenues, capital requirements and the accuracy thereof; and
- our ability to attract and retain key scientific or management personnel.

These forward-looking statements are only predictions and we may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, so you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results. We have included important factors in the cautionary statements included in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014, particularly in Item 1.A. Risk Factors. Those risk factors, together with any updates to those risk factors contained in our subsequent periodic and current reports filed with the Securities and Exchange Commission, could cause actual future results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

You should read this Quarterly Report on Form 10-Q and the documents that we have filed as exhibits to the Quarterly Report on Form 10-Q with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

PART I

Item 1. FINANCIAL STATEMENTS

INTERCEPT PHARMACEUTICALS, INC.
(A Development Stage Company)

Condensed Consolidated Balance Sheets

	December 31, 2013 (Audited)	March 31, 2014 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,363,185	\$ 11,210,833
Investment securities, available-for-sale	131,468,797	122,894,295
Prepaid expenses and other current assets	2,732,556	4,796,328
Total current assets	147,564,538	138,901,456
Fixed assets, net	1,672,295	1,910,442
Security deposits	1,081,747	1,082,209
Total assets	\$ 150,318,580	\$ 141,894,107
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 7,259,805	\$ 8,763,999
Short-term portion of warrant liability	-	276,738,805
Short-term portion of deferred revenue	1,621,622	1,621,620
Total current liabilities	8,881,427	287,124,424
Long-term liabilities:		
Long-term portion of deferred revenue	8,918,916	8,513,516
Long-term portion of warrant liability	50,112,137	-
Total liabilities	67,912,480	295,637,940
Stockholders' equity (deficit):		
Common stock. 25,000,000 shares authorized; 19,389,610, and 19,566,640 shares issued and outstanding as of December 31, 2013 and March 31, 2014, respectively; par value \$0.001 per share	19,390	19,567
Additional paid-in capital	268,302,617	289,834,694
Accumulated other comprehensive income, net	59,853	43,484
Accumulated deficit during development stage	(185,975,760)	(443,641,578)
Total stockholders' equity (deficit)	82,406,100	(153,743,833)
Total liabilities and stockholders' equity	\$ 150,318,580	\$ 141,894,107

See accompanying notes to the condensed consolidated financial statements.

INTERCEPT PHARMACEUTICALS, INC.
(A Development Stage Company)

Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

	Three Months Ended March 31,		Period From September 4, 2002 (Inception) Through March 31, 2014
	2013	2014	
Licensing revenue	\$ 405,405	\$ 405,403	\$ 6,278,265
Costs and expenses:			
Research and development	4,832,556	25,929,683	125,305,881
General and administrative	2,396,854	5,651,127	48,381,048
Total costs and expenses	<u>7,229,410</u>	<u>31,580,810</u>	<u>173,686,929</u>
Other income (expense):			
Revaluation of warrants	(3,682,505)	(226,626,668)	(278,143,310)
Foreign currency loss on liquidation	-	-	(191,733)
Other income, net	296,362	136,257	1,613,170
QTDP Grant	-	-	488,959
	<u>(3,386,143)</u>	<u>(226,490,411)</u>	<u>(276,232,914)</u>
Net loss	(10,210,148)	(257,665,818)	(443,641,578)
Dividends on preferred stock, not declared	-	-	(10,944,134)
Net loss attributable to common stockholders	\$ (10,210,148)	\$ (257,665,818)	\$ (454,585,712)
Net loss per share, basic and diluted	\$ (0.62)	\$ (13.21)	
Weighted average shares outstanding, basic and diluted	16,558,297	19,504,748	
Other comprehensive gain (loss):			
Unrealized gain (loss) on investment securities	(245,481)	16,369	43,484
Total comprehensive loss	<u>\$ (10,455,629)</u>	<u>\$ (257,649,449)</u>	<u>\$ (443,598,094)</u>

See accompanying notes to the condensed consolidated financial statements.

INTERCEPT PHARMACEUTICALS, INC.
(A Development Stage Company)

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,		Period from
			September 4, 2002
	2013	2014	(Inception)
			Through
			March 31, 2014
Cash flows from operating activities:			
Net loss	\$ (10,210,148)	\$ (257,665,818)	\$ (443,641,578)
Adjustments to reconcile net loss to net cash used in operating activities:			
Revaluation of warrants	3,682,505	226,626,668	278,143,310
Stock-based compensation	1,607,181	19,072,642	38,296,607
Impairment of bonds	-	-	151,402
Loss from sale of assets	-	-	217,296
Depreciation	22,650	61,661	2,534,013
Foreign currency loss on liquidation	-	-	191,733
Amortization of investment premium	-	551,913	2,284,975
Changes in:			
Prepaid expenses and other current assets	187,568	(2,064,234)	(5,137,984)
Accounts payable, accrued expenses, and other current liabilities	(520,024)	1,504,194	8,764,003
Deferred revenue	(405,405)	(405,402)	10,135,136
Interest accrued on promissory notes	-	-	91,249
Net cash used in operating activities	<u>(5,635,673)</u>	<u>(12,318,376)</u>	<u>(107,969,838)</u>
Cash flows from investing activities:			
Investments in certificates of deposit	-	-	(627,631)
Purchases of investment securities	(10,243,468)	(15,723,676)	(207,489,760)
Sales of investment securities	2,000,000	23,729,896	82,089,650
Purchases of equipment, improvements, and furniture and fixtures	(8,664)	(299,808)	(3,326,186)
Net cash (used in) provided by investing activities	<u>(8,252,132)</u>	<u>7,706,412</u>	<u>(129,353,927)</u>
Cash flows from financing activities:			
Proceeds from issuance of stock offerings, net of issuance costs	-	-	233,646,499
Proceeds from issuance of common stock warrants	-	-	7,385,897
Costs associated with issuance of stock	-	(338,816)	(338,816)
Payments of capital lease obligation	-	-	(1,335,567)
Proceeds from exercise of options	87,428	2,798,428	7,735,221
Proceeds from exercise of warrants	-	-	383,097
Proceeds from issuance of convertible promissory notes payable	-	-	1,250,000
Net cash provided by financing activities	<u>87,428</u>	<u>2,459,612</u>	<u>248,726,331</u>
Effect of exchange rate changes	-	-	(191,733)
Net (decrease) in cash and cash equivalents	<u>(13,800,377)</u>	<u>(2,152,352)</u>	<u>11,210,833</u>
Cash and cash equivalents – beginning of period	<u>45,511,641</u>	<u>13,363,185</u>	<u>-</u>
Cash and cash equivalents – end of period	<u>\$ 31,711,264</u>	<u>\$ 11,210,833</u>	<u>\$ 11,210,833</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	\$ -	\$ -	\$ 181,980
Supplemental disclosures of noncash activities:			
Conversion of promissory note payable, including accrued interest of \$91,250 into common shares	\$ -	\$ -	\$ 1,341,249
Issuance of 108,169 warrants for private placement agent fees	-	-	1,471,485
Acquisition of equipment pursuant to capital leases	-	-	1,335,567
Issuance of common stock for cashless warrant exchange	3,628,077	-	9,713,800

See accompanying notes to the condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements (unaudited)

1. Nature of Business and Basis of Presentation

Intercept Pharmaceuticals, Inc. (“Intercept” or the “Company”), a development stage company, is a biopharmaceutical company focused on the development and commercialization of novel therapeutics to treat chronic liver and intestinal diseases utilizing its proprietary bile acid chemistry. The Company’s product candidates have the potential to treat orphan and more prevalent liver diseases for which there currently are limited therapeutic solutions.

The Company has its administrative headquarters in New York, New York and an office in San Diego, California. The Company has a wholly owned subsidiary in Italy which acts as the Company’s legal representative for its clinical trials in the European Union to satisfy European Union regulatory requirements. Intercept was incorporated in Delaware in September 2002.

The Company’s condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying condensed interim financial statements are unaudited. The condensed interim unaudited financial statements have been prepared in accordance with GAAP on the same basis as the annual audited financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for a fair statement of the Company’s financial position, results of operations and cash flows for the dates and periods presented herein. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes set forth in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014. The results for the three months ended March 31, 2013 and March 31, 2014 (unaudited), and for the period from inception (September 4, 2002) through March 31, 2014 (unaudited) are not necessarily indicative of results to be expected for the year ending December 31, 2014, any other interim periods or any future year or period.

2. Significant Agreements

Dainippon Sumitomo Pharma Co, Ltd. (DSP)

In March 2011, the Company entered into an exclusive license agreement with DSP to research, develop and commercialize obeticholic acid (OCA) as a therapeutic for the treatment of primary biliary cirrhosis (PBC) and nonalcoholic steatohepatitis (NASH) in Japan and China (excluding Taiwan) and agreed not to commercialize other farnesoid X receptor, or FXR, agonist compounds or products for PBC, NASH or specified additional indications in countries in which DSP retains an exclusive license to OCA under the agreement. Under the terms of the license agreement, the Company received an up-front payment from DSP of \$15.0 million and may be eligible to receive additional milestone payments up to an aggregate of approximately \$30.0 million in development milestones based on the initiation or completion of clinical trials, \$70.0 million in regulatory approval milestones and \$200.0 million in sales milestones. The regulatory approval milestones include \$15.0 million for receiving marketing approval for OCA for NASH in Japan, \$10.0 million for receiving marketing approval for OCA for NASH in China, and up to \$5.0 million for receiving marketing approval for OCA for PBC in the United States. The sales milestones are based on aggregate sales amounts of OCA and include \$5.0 million for achieving net sales of \$50.0 million, \$10.0 million for achieving net sales of \$100.0 million, \$20.0 million for achieving net sales of \$200.0 million, \$40.0 million for achieving net sales of \$400.0 million and \$120.0 million for achieving net sales of \$1.2 billion. DSP is also required to make royalty payments ranging from the tens to the twenties in percent based on net sales of OCA products in the DSP territory. DSP has the exclusive option to add several other Asian countries to its territory, including Korea and Taiwan, and to pursue OCA for additional indications. DSP will be responsible for the costs of developing and commercializing OCA in its territory.

The Company evaluated the license agreement with DSP and determined that it is a revenue arrangement with multiple deliverables, or performance obligations. The Company’s substantive performance obligations under this license include an exclusive license to its technology, technical and scientific support to the development plan and participation on a joint steering committee. The Company determined that these performance obligations represent a single unit of accounting, since, initially, the license does not have stand-alone value to DSP without the Company’s technical expertise and steering committee participation during the development of OCA. This development period is currently estimated as continuing through June 2020 and, as such, the up-front payment is being recognized ratably over this period. During the three months ended March 31, 2013 and 2014, the Company recorded revenue of \$405,000 and \$405,000, respectively, in “Licensing Revenue” in its Consolidated Statement of Operations for the Company’s efforts under the agreement. The Company has not achieved any of the milestones relating to the agreement as of March 31, 2014 and has not recognized any revenue related to such milestones. The Company has determined that each potential future development, regulatory and sales milestone is substantive.

3. Investments

The following table summarizes the Company's cash, cash equivalents and investments as of December 31, 2013 and March 31, 2014:

	As of December 31, 2013			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
(In thousands)				
Cash and cash equivalents:				
Cash and money market funds	\$ 13,363	\$ -	\$ -	\$ 13,363
Investment securities:				
Commercial paper	7,993	1	-	7,994
Corporate debt securities	115,704	115	(59)	115,760
U.S. government and agency securities	6,657	6	-	6,663
Municipal securities	1,051	1	-	1,052
Total investments	<u>131,405</u>	<u>123</u>	<u>(59)</u>	<u>131,469</u>
Total cash, cash equivalents and investments	<u>\$ 144,768</u>	<u>\$ 123</u>	<u>\$ (59)</u>	<u>\$ 144,832</u>

	As of March 31, 2014			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
(In thousands)				
Cash and cash equivalents:				
Cash and money market funds	\$ 11,211	\$ -	\$ -	\$ 11,211
Investment securities:				
Commercial paper	2,996	1	-	2,997
Corporate debt securities	112,185	101	(63)	112,223
U.S. government and agency securities	6,626	5	-	6,631
Municipal securities	1,039	4	-	1,043
Total investments	<u>122,846</u>	<u>111</u>	<u>(63)</u>	<u>122,894</u>
Total cash, cash equivalents and investments	<u>\$ 134,057</u>	<u>\$ 111</u>	<u>\$ (63)</u>	<u>\$ 134,105</u>

The following table shows the gross unrealized losses and fair value of the Company's available-for-sale investments aggregated by investment category and length of time that individual securities have been in the position:

	As of December 31, 2013					
	Less than 12 months		12 Months or greater		Total	
	(In thousands)					
	Gross Unrealized		Gross Unrealized		Gross Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
Corporate debt securities	\$ 9,515	\$ (2)	\$ 31,312	\$ (57)	\$ 40,827	\$ (59)
Total	\$ 9,515	\$ (2)	\$ 31,312	\$ (57)	\$ 40,827	\$ (59)

	As of March 31, 2014					
	Less than 12 months		12 Months or greater		Total	
	(In thousands)					
	Gross Unrealized		Gross Unrealized		Gross Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
Corporate debt securities	\$ 15,759	\$ (13)	\$ 32,234	\$ (50)	\$ 47,993	\$ (63)
Total	\$ 15,759	\$ (13)	\$ 32,234	\$ (50)	\$ 47,993	\$ (63)

4. Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. A valuation allowance is established against net deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the net deferred tax assets will not be realized.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be resolved. The effect of a change in tax rates or laws on deferred tax assets and deferred tax liabilities is recognized in operations in the period that includes the enactment date of the rate change.

The deferred tax asset or liability represents future tax return consequences of those differences, which will be taxable when the assets and liabilities are recovered or settled. The provision for income taxes may differ from the actual expense that would result from applying the federal statutory rate to income before taxes because certain expenses for financial reporting purposes are not deductible for tax purposes. At December 31, 2013 and March 31, 2014, the Company had available net operating loss carryforwards to reduce future taxable income of approximately \$108.2 million and \$123.4 million, respectively, for tax reporting purposes. These carryforwards expire between 2024 and 2032. The ability of the Company to utilize its net operating losses in future years is subject to limitation in accordance with provisions of Section 382 of the Internal Revenue Code due to previous ownership changes; however, these changes have not resulted in material limitations to the Company's ability to utilize the net operating losses. The Company's combined federal, state and city deferred tax asset of approximately \$60.2 million and \$74.5 million at December 31, 2013 and March 31, 2014, respectively, resulted from the tax effects of net operating losses and differences between the book and tax bases for the share-based compensation and depreciation. The Company does not have any deferred tax liabilities. Since the Company has not yet achieved sustained profitable operations, management believes its deferred tax assets do not satisfy the more-likely-than-not realization criteria and has provided an allowance for the full amount of the tax asset. As a result, the Company has not recorded any income tax benefit since its inception.

5. Warrants to Purchase Common Stock

In conjunction with various financing transactions, the Company issued warrants to purchase the Company's common stock. Certain of the warrants include a so-called "down round" provision that provides for a reduction in the warrant exercise price if there are subsequent issuances of additional shares of common stock for consideration per share less than the per share warrant exercise prices and the remaining warrants contain a provision that require the underlying shares to be registered upon an IPO. These warrants are deemed to be derivative instruments and as such, are recorded as a liability and are marked-to-market at each reporting period. The Company estimates the fair values of the warrants at each reporting period using a Black-Scholes option-pricing model. Management concluded, under the Company's facts and circumstances, that the estimated fair values of the warrants using the Black-Scholes option-pricing model approximates, in all material respects, estimates the values determined using a binomial valuation model. The estimates in the Black-Scholes option-pricing model and the binomial valuation model are based, in part, on subjective assumptions, including but not limited to stock price volatility, the expected life of the warrants, the risk free interest rate and the fair value of the common stock underlying the warrants, and could differ materially in the future. Changes in the fair value of the common stock warrant liability from the prior period are recorded as a component of other income and expense.

As of March 31, 2014, the Company had outstanding warrants to purchase a total of 865,381 shares of its common stock, at a weighted average exercise price of \$10.40 per share. These warrants were exercised on a cashless basis on April 10, 2014 into 834,758 shares of the Company's common stock. The Company will reduce the warrant value to \$220.9 million, reclassify such value to equity in the second quarter of 2014 and will record a final non-cash warrant revaluation adjustment to other income of approximately \$56 million.

6. Fair Value Measurements

The carrying amounts of the Company's receivables and payables approximate their fair value due to their short maturities.

Accounting principles provide guidance for using fair value to measure assets and liabilities. The guidance includes a three level hierarchy of valuation techniques used to measure fair value, defined as follows:

- Unadjusted Quoted Prices — The fair value of an asset or liability is based on unadjusted quoted prices in active markets for identical assets or liabilities (Level 1).
- Pricing Models with Significant Observable Inputs — The fair value of an asset or liability is based on information derived from either an active market quoted price, which may require further adjustment based on the attributes of the financial asset or liability being measured, or an inactive market transaction (Level 2).
- Pricing Models with Significant Unobservable Inputs — The fair value of an asset or liability is primarily based on internally derived assumptions surrounding the timing and amount of expected cash flows for the financial instrument. Therefore, these assumptions are unobservable in either an active or inactive market (Level 3).

The Company considers an active market as one in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Conversely, the Company views an inactive market as one in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers. When appropriate, non-performance risk, or that of a counterparty, is considered in determining the fair values of liabilities and assets, respectively.

The Company's cash deposits and money market funds are classified within Level 1 of the fair value hierarchy because they are valued using bank balances or quoted market prices. Investments are classified as Level 2 instruments based on market pricing or other observable inputs. None of the Company's investments are classified within Level 3 of the fair value hierarchy. The Company's warrant liability has been valued pursuant to the discussion in note 5 above and thus is included in Level 3.

Financial assets and liabilities, carried at fair value are classified in the tables below in one of the three categories described above:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In thousands)				
December 31, 2013				
Assets:				
Money market funds	\$ 8,216	\$ 8,216	\$ —	\$ —
Available for sale securities:				
Commercial paper	7,994	—	7,994	\$ —
Corporate debt securities	115,760	—	115,760	—
U.S. government and agency securities	6,663	—	6,663	—
Municipal securities	1,052	—	1,052	—
Total assets:	\$ 139,685	\$ 8,216	\$ 131,469	\$ —
Liabilities:				
Warrants to purchase common stock	\$ (50,112)	\$ —	\$ —	\$ (50,112)
Total liabilities	\$ (50,112)	\$ —	\$ —	\$ (50,112)
March 31, 2014				
Assets:				
Money market funds	\$ 7,052	\$ 7,052	\$ —	\$ —
Available for sale securities:				
Commercial paper	2,997	—	2,997	—
Corporate debt securities	112,223	—	112,223	—
U.S. government and agency securities	6,631	—	6,631	—
Municipal securities	1,043	—	1,043	—
Total assets:	\$ 129,946	\$ 7,052	\$ 122,894	\$ —
Liabilities:				
Warrants to purchase common stock	\$ (276,739)	\$ —	\$ —	\$ (276,739)
Total liabilities	\$ (276,739)	\$ —	\$ —	\$ (276,739)

The estimated fair value of marketable debt securities (commercial paper, corporate debt securities, U.S. government and agency securities and municipal securities), by contractual maturity, are as follows:

	Fair Value as of	
	December 31, 2013	March 31, 2014
	(In thousands)	
Due in one year or less	\$ 56,044	\$ 67,967
Due after one year through 2 years	75,425	54,927
Total investments in debt securities	<u>\$ 131,469</u>	<u>\$ 122,894</u>

Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties.

7. Stockholders' Equity and Preferred Stock

Common Stock

In September 2002, the Company issued 949,035 shares of common stock at a price of \$0.03 per share to the founders of the Company (Founders' shares).

In November 2002, the Company issued 60,576 shares of common stock at a price of \$0.03 per share to the principal investigators and other researchers of the Company pursuant to an authorization by the Board of Directors to issue and sell these shares by subscription to the named parties in conjunction with the signing of certain research agreements.

In October 2003, the Company issued 112,498 shares of common stock at a price of \$0.03 per share to the two principal investigators pursuant to an authorization by the Board of Directors to issue and sell these shares by subscription.

In October 2003, the Company repurchased and canceled 550,960 Founders' shares from certain founders of the Company at a price of \$0.03 per share.

From October 2003 through May 2004, pursuant to a private placement agreement dated October 2003, the Company issued an aggregate of 392,163 shares of common stock at a price of \$7.22 per share, receiving net proceeds of \$2.4 million after \$474,000 in related offering costs. In addition, Class A warrants to purchase 137,251 shares of common stock and Class B warrants to purchase 117,640 shares of common stock were issued to the placement agent and its assigns as additional placement agent commission under the terms of the placement agent agreement.

In November 2005, the Company issued 51,922 shares of common stock, warrants with a two-year term to purchase 51,922 shares of common stock at an exercise price of \$7.22 per share and warrants with a five-year term to purchase 86,538 shares of common stock at an exercise price of \$7.22 per share, all pursuant to a private subscription agreement with two outside investors, receiving net proceeds of \$375,000.

In May 2006, pursuant to a private placement agreement, the Company issued 2,087,091 shares of common stock at a price of \$9.82, receiving net proceeds of \$19.5 million, after \$1.0 million in related offering costs. Also in May 2006, the Company's 6% convertible promissory notes that were issued in February 2005 with a face amount of \$1.3 million, along with \$91,000 of accrued interest, were converted into 160,637 shares of common stock at a price of \$8.35 per share pursuant to the mandatory conversion terms of the notes.

In October 2012, the Company completed the initial public offering (IPO) of its common stock pursuant to a registration statement on Form S-1. In the IPO, the Company sold an aggregate of 5,750,000 shares of common stock under the registration statement at a public offering price of \$15.00 per share. Net proceeds were approximately \$78.7 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by the Company. Upon the closing of the IPO, all outstanding shares of the Company's preferred stock (described below) were converted into 7,403,817 shares of common stock. Additionally, upon completion of the IPO, the Company is now authorized to issue 25,000,000 shares of common stock, \$0.001 par value per share, and 5,000,000 shares of preferred stock, \$0.001 par value per share.

In June 2013, the Company completed a public offering of 1,989,500 shares of its common stock at a public offering price of \$33.01 per share. The shares were registered pursuant to a registration statement on Form S-1. Net proceeds were approximately \$61.2 million, after deducting underwriting discounts and commission and offering expenses payable by the Company.

In April 2014, the Company completed a public offering of 1,000,000 shares of its common stock, of which 600,000 shares were sold by the Company and 400,000 shares were sold by certain selling stockholders, at a public offering price of \$320.00 per share. The shares were registered pursuant to a registration statement on Form S-3. After underwriting discounts and commissions and estimated offering expenses, the Company received net proceeds from the offering of approximately \$183.4 million. The Company did not receive any proceeds from the sale of shares of common stock by the selling stockholders.

Dividends

The holders of common stock are entitled to receive dividends from time to time as declared by the Board of Directors. No cash dividend may be declared or paid to common stockholders until paid on each series of outstanding preferred stock in accordance with their respective terms.

Voting

The holders of shares of common stock are entitled to one vote for each share held with respect to all matters voted on by the stockholders of the Company.

Preferred Stock

In May 2008, to effectuate the sale of Series A preferred stock, the Company amended and restated its Certificate of Incorporation in its entirety to increase the number of shares of preferred stock it was authorized to issue to 13,888,889 shares and to designate such shares as Series A preferred stock. In May 2008, 13,888,889 shares of Series A preferred stock were sold to Genextra, S.p.A. for net proceeds of \$24.3 million, after \$749,000 in related offering costs. In connection with this financing, the Company issued warrants with a five-year term to purchase 108,169 shares of common stock at \$10.40 per share to the placement agent.

In January 2010, the Company further amended and restated its Certificate of Incorporation in its entirety to increase the number of shares of preferred stock it was authorized to issue to 27,777,778 shares and designated 13,888,889 of such shares as Series B preferred stock. In January 2010, 13,888,889 shares of Series B preferred stock and a warrant with a five-year term to purchase 865,381 shares of common stock at \$10.40 per share were sold to Genextra for \$24.9 million, after \$112,000 in related offering costs.

In August 2012, the Company further amended and restated its Certificate of Incorporation in its entirety to increase the number of shares of preferred stock it was authorized to issue to 52,777,778 shares and designated 25,000,000 of such shares as Series C preferred stock. In August 2012, 15,000,000 shares of Series C preferred stock were sold to Genextra and OrbiMed Advisors LLC for \$29.7 million, after \$300,000 in related offering costs. Upon the completion of the IPO, all outstanding shares of the Company's preferred stock, including 13,888,889 shares of Series A preferred stock, 13,888,889 shares of Series B preferred stock and 15,000,000 shares of Series C preferred stock, were converted into 7,403,817 shares of common stock and all accrued dividends on the preferred stock were eliminated.

8. 2003 Stock Incentive Plan and 2012 Stock Plan

The 2003 Stock Incentive Plan was terminated upon the pricing of the IPO in October 2012, and 555,843 shares available under the 2003 Stock Incentive Plan were added to the 2012 Plan. All outstanding options issued under the 2003 Plan as of the date of termination remained outstanding and are subject to their respective terms and the terms of the 2003 Plan.

In September 2012, the Company's board of directors and stockholders approved the 2012 Equity Incentive Plan (2012 Plan), which became effective upon the pricing of the Company's IPO in October 2012. The 2012 Plan will expire on September 13, 2022. Under the 2012 Plan, the Company may grant incentive stock options, non-qualified stock options, restricted and unrestricted stock awards and other stock-based awards. As of March 31, 2014, there were 1,066,627 shares of common stock authorized for issuance under the 2012 Plan (including 775,584 shares of common stock which were added to the 2012 Plan on January 1, 2014 in accordance with its terms).

The following table summarizes stock option activity during the three months ended March 31, 2014:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding, December 31, 2013	1,524,837	\$ 21.33
Granted	121,900	251.55
Exercised	(160,902)	16.62
Forfeited	(3,029)	21.50
Outstanding, March 31, 2014	<u>1,482,806</u>	<u>\$ 40.76</u>
Exercisable, March 31, 2014	<u>760,752</u>	<u>\$ 12.62</u>

The following table summarizes the aggregate restricted stock unit (RSU) activity:

	<u>Number of Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Outstanding, December 31, 2013	121,069	\$ 25.30
Exercised	(16,128)	25.50
Outstanding, March 31, 2014	<u>104,941</u>	<u>\$ 25.26</u>

9. Net Loss Per Share

The following table presents the historical computation of basic and diluted net loss per share:

	<u>Three Months Ended March 31,</u>	
	<u>2013</u>	<u>2014</u>
	(In thousands, except share and per share amounts)	
Historical net loss per share		
Numerator:		
Net loss attributable to common stockholders	<u>\$ (10,210)</u>	<u>\$ (257,666)</u>
Denominator:		
Weighted average shares outstanding, basic and diluted	16,558,297	19,504,748
Net loss per share, basic and diluted	<u>\$ (0.62)</u>	<u>\$ (13.21)</u>

The following potentially dilutive securities have been excluded from the computations of diluted weighted average shares outstanding:

	As of March 31,	
	2013	2014
	(In thousands)	
Options	1,646	1,483
Warrants to purchase common stock	1,043	865
Restricted stock units	176	105
Total	<u>2,865</u>	<u>2,453</u>

10. Litigation

On February 21, 2014 and February 28, 2014, purported shareholder class actions, styled *Scot H. Atwood v. Intercept Pharmaceuticals, Inc. et al.* and *George Burton v. Intercept Pharmaceuticals, Inc. et al.*, respectively, were filed in the United States District Court for the Southern District of New York, naming the Company and certain of its officers as defendants. These lawsuits were filed by stockholders who claim to be suing on behalf of anyone who purchased or otherwise acquired the Company's securities between January 9, 2014 and January 10, 2014.

The lawsuits allege that the Company made material misrepresentations and/or omissions of material fact in its public disclosures during the period from January 9, 2014 to January 10, 2014, in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. The alleged improper disclosures relate to the Company's January 9, 2014 announcement that the FLINT trial had been stopped early based on a pre-defined interim efficacy analysis. Specifically, the lawsuits claim that the January 9, 2014 announcement was misleading because it did not contain information regarding certain lipid abnormalities seen in the FLINT trial in OCA-treated patients compared to placebo. The plaintiffs in each suit seek unspecified monetary damages on behalf of the putative class and an award of costs and expenses, including attorneys' fees. On April 22, 2014, two individuals each moved to consolidate the cases and to be appointed as the lead plaintiff. Those motions are currently pending before the Court.

Additional complaints may be filed against the Company and its directors and officers related to its disclosures.

The Company believes that these lawsuits are without merit. At this time, no assessment can be made as to the likely outcome of these lawsuits or whether the outcome will be material to the Company. Therefore, the Company has not accrued for any loss contingencies related to these lawsuits.

11. Subsequent Events

New San Diego Office Lease

On May 1, 2014, the Company entered into a lease agreement with The Irvine Company LLC for its new office in San Diego. The lease will provide the Company with approximately 47,000 rentable square feet in San Diego for office space. The lease term is anticipated to commence in September 2014 and is anticipated to end in September 2019. The Company also has an option to further extend the lease for an additional five year term at market rates prevailing at such time.

The rent for the first year will be approximately \$874,000 without giving effect to rent abatements and the rent will gradually increase every 12 months during the lease term. During the first six months, the Company will receive a partial rent abatement from the landlord. The landlord will also provide the Company with contributions of up to approximately \$2.4 million for improvements to the office space.

Pursuant to the terms of the new lease, the Company has provided the landlord with a letter of credit for \$874,000, which will decrease at certain times during the term of the lease.

The Irvine Company LLC, which is also the landlord of the Company's current San Diego office, has agreed to release the Company from its obligations under the current San Diego lease effective as of the commencement date of the lease for the new San Diego office.

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

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited financial statements and the notes to those financial statements appearing elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2013 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014. This discussion contains forward-looking statements that involve significant risks and uncertainties. As a result of many factors, such as those set forth in Item 1.A. "Risk Factors" of our Annual Report on Form 10-K and any updates to those risk factors contained in our subsequent periodic and current reports filed with the Securities and Exchange Commission, our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

We are a biopharmaceutical company focused on the development and commercialization of novel therapeutics to treat chronic liver and intestinal diseases with high unmet need utilizing our proprietary bile acid chemistry. Our product candidates have the potential to treat orphan and more prevalent liver diseases for which there currently are limited therapeutic solutions.

Our lead product candidate, obeticholic acid, or OCA, is a bile acid analog, or a chemical substance that has a structure based on a naturally occurring human bile acid. OCA is a first-in-class product candidate that selectively binds to and induces activity in the farnesoid X receptor, or FXR, which we believe has broad liver-protective properties. We are developing OCA initially for primary biliary cirrhosis, or PBC, as a second line treatment for patients who have an inadequate response to or who are unable to tolerate standard of care therapy and therefore need additional treatment. PBC is a chronic autoimmune liver disease that, if inadequately treated, may eventually lead to cirrhosis, liver failure and death. In March 2014, we completed a Phase 3 clinical trial of OCA in PBC, which we call the POISE trial, that we anticipate will serve as the basis for seeking the first regulatory approval to market OCA in the United States and Europe. We expect to complete our filings for marketing approval of OCA in PBC in the United States and Europe during the first half of 2015. We also anticipate finalizing the protocol for our clinical outcomes confirmatory trial in PBC during the third quarter of 2014 and initiating the trial around year end 2014.

OCA is also currently being evaluated in a Phase 2b trial for the treatment of nonalcoholic steatohepatitis, or NASH, known as the FLINT trial, which has been sponsored by the U.S. National Institute of Diabetes and Digestive and Kidney Diseases, or NIDDK, a part of the National Institutes of Health. In January 2014, the NIDDK stopped the double-blind treatment phase of the FLINT trial early following a planned interim analysis showing that OCA had met the primary efficacy endpoint of the trial based on a pre-defined interim efficacy criteria. The NIDDK's decision to stop the FLINT treatment phase early was based primarily on OCA having met the efficacy criterion, while also being informed by the risks involved in continuing to perform liver biopsies in the remaining patients and the available safety data from the trial.

In addition to PBC and NASH, we are developing OCA in other patient populations, including cirrhosis, primary sclerosing cholangitis, or PSC, portal hypertension, alcoholic hepatitis and bile acid diarrhea and anticipate initiating clinical trials for several of these indications throughout 2014. Furthermore, we plan to complete IND-enabling studies in INT-767, an earlier stage product for which we plan to initiate a Phase 1 trial in the first half of 2015. OCA has received orphan drug designation in the United States and Europe for the treatment of PBC and PSC. We own worldwide rights to OCA outside of Japan and China, where we have exclusively licensed the compound to Dainippon Sumitomo Pharma, or DSP, and granted it an option to exclusively license OCA in certain other Asian countries.

In April 2014, we completed a follow-on public offering of 1,000,000 shares of our common stock, of which 600,000 shares were sold by us and 400,000 shares were sold by certain selling stockholders, at a public offering price of \$320.00 per share. After underwriting discounts and commissions and estimated offering expenses, we received net proceeds from the offering of approximately \$183.4 million. We did not receive any proceeds from the sale of shares of common stock by the selling stockholders. Our common stock trades on the NASDAQ Global Select Market, or NASDAQ, under the trading symbol "ICPT."

We have incurred net losses in each year since our inception in 2002. Our net losses were approximately \$10.2 million and \$257.7 million for the three months ended March 31, 2013 and 2014, respectively. As of March 31, 2014, we had an accumulated deficit of approximately \$443.6 million. Substantially all our net losses resulted from costs incurred in connection with our research and development programs, general and administrative costs associated with our operations and the mark-to-market of our liability-classified warrants.

We expect to continue to incur significant expenses and increasing operating losses for at least the next several years. We anticipate that our expenses will increase substantially as we:

- complete the development of our lead product candidate, OCA, for the treatment of PBC, NASH, and other patient populations;
- seek to obtain regulatory approvals for OCA for PBC, NASH and other potential patient populations;
- outsource the commercial manufacturing of OCA for any indications for which we receive regulatory approval;
- engage in activities relating to the sales, marketing and distribution of OCA for any indications for which we may receive regulatory approval;
- continue research and development efforts with our preclinical development compounds, such as INT-767, whether independently or with a third-party collaborator;
- maintain, expand and protect our intellectual property portfolio;
- add operational, financial and management information systems and personnel, including personnel to support our product development and commercialization efforts; and
- operate as a public company.

We do not expect to generate revenue from product sales unless and until we successfully complete development and obtain marketing approval for one or more of our product candidates, which we expect will take a number of years and is subject to significant uncertainty. Accordingly, we anticipate that we will need to raise additional capital prior to the commercialization of OCA or any of our other product candidates. Until such time, if ever, as we can generate substantial revenue from product sales, we expect to finance our operating activities through a combination of equity offerings, debt financings, government or other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. Our failure to raise capital or enter into such other arrangements as and when needed would have a negative impact on our financial condition and our ability to develop our product candidates.

We have our administrative headquarters in New York, New York and an office in San Diego, California. We have a wholly owned subsidiary in Italy which acts as our legal representative for our clinical trials in the European Union to satisfy European Union regulatory requirements.

Recent Developments

Primary Endpoint Met in Phase 3 POISE Trial of OCA in PBC

In March 2014, we announced that the primary endpoint was achieved in our international Phase 3 POISE trial studying the safety and efficacy of a once-daily treatment with OCA in PBC patients with an inadequate therapeutic response to, or who are unable to tolerate, ursodiol. There were 217 patients randomized to one of three groups in the trial: placebo, 10 mg OCA or 5 mg OCA for six months titrated to 10 mg OCA based on clinical response. Of the 198 patients who completed the double-blind phase, more than 95% continued in the long term safety extension, or LTSE, phase of the trial.

The POISE data showed that OCA, at both a 10 mg dose and a 5 mg dose titrated to 10 mg, met the trial's primary endpoint of achieving a reduction in serum alkaline phosphatase, or ALP, to below a threshold of 1.67 times upper limit normal, with a minimum of 15% reduction in ALP level from baseline, and a normal bilirubin level after 12 months of therapy. Patients with ALP and bilirubin levels below the thresholds set forth in the POISE trial primary endpoint have been shown in long-term clinical studies to have a significantly lower risk of progressing to liver transplant and death. The proportion of patients meeting the POISE trial primary endpoint was 10% in the placebo group, 47% in the 10 mg OCA group and 46% in the OCA titration group (both dose groups $p < 0.0001$ as compared to placebo) in an intention-to-treat analysis. The placebo group experienced a mean decrease in ALP from baseline of 5%, compared to a significant mean decrease of 39% in the 10 mg OCA dose group and 33% in the OCA titration group (both dose groups $p < 0.0001$ as compared to placebo). OCA treated patients achieved highly statistically significant reductions in ALP beginning as early as two weeks after initiation of treatment, with a peak effect achieved by six months.

In addition, both OCA dose groups met pre-specified secondary endpoints of improving other clinically relevant liver enzymes. Reductions in gamma-glutamyl transferase, or GGT, of 64% in the 10 mg OCA dose group and 50% in the OCA titration group, alanine transaminase, or ALT, of 42% in the 10 mg OCA dose group and 36% in the OCA titration group, and aspartate transaminase, or AST, of 24% in the 10 mg OCA dose group and 22% in the OCA titration group, were observed, respectively (both OCA dose groups $p < 0.0005$ as compared to placebo). PBC patients typically have significantly elevated HDL cholesterol levels and modest decreases in HDL were observed in both OCA dose groups, similar to those seen in the prior PBC clinical trials. In addition, modest but significant decreases in triglycerides, VLDL cholesterol and HDL cholesterol, but no change in LDL cholesterol were observed in the OCA dose groups.

Pruritus, generally mild to moderate, was the most frequently reported adverse event associated with OCA treatment and was observed in 38% of patients on placebo, 68% of patients in the 10 mg OCA group and 56% of patients in the OCA titration group. Eight patients discontinued due to pruritus, of whom none were in the placebo group, seven (10%) patients were in the 10 mg OCA group and only one (1%) patient was in the OCA titration group (in a patient who had titrated up to 10 mg). The incidence and severity of OCA-related pruritus in POISE diminished with time on therapy. Specifically, pruritus scores were no different from placebo in both OCA treatment groups during the second half of the trial.

Apart from pruritus, the incidence of adverse events was generally similar across both OCA and placebo groups (placebo: 90%, OCA 10 mg: 86%, OCA titration: 89%). Overall, serious adverse events, or SAEs, occurred in 22 (10%) of the patients and, although there were more SAEs in the OCA treatment groups, none were considered drug-related and there were no apparent patterns in the SAEs.

Financial Overview

Revenue

To date, we have not generated any revenue from the sale of products. All our revenue has been derived from our collaborative agreements for the development and commercialization of certain of our product candidates. In March 2011, we entered into an exclusive licensing agreement with DSP for the development of OCA in Japan and China. Under the terms of the agreement, we received an up-front payment of \$15.0 million and may be eligible to receive up to approximately \$300 million in additional payments for development, regulatory and commercial sales milestones for OCA in Japan and China. For accounting purposes, the up-front payment is recorded as deferred revenue and amortized over time. Through March 31, 2014, we recognized \$6.3 million in license revenue for amortization of up-front payments. We anticipate that we will recognize revenue of approximately \$1.6 million per year through 2020, the expected end of the development period, for the amortization of the up-front payment from DSP.

In the future, we may generate revenue from a combination of license fees and other upfront payments, research and development payments, milestone payments, product sales and royalties in connection with strategic alliances. We expect that any revenue we generate will fluctuate from quarter-to-quarter as a result of the timing of our achievement of preclinical, clinical, regulatory and commercialization milestones, if at all, the timing and amount of payments relating to such milestones and the extent to which any of our products are approved and successfully commercialized by us or our strategic alliance partners. If our strategic alliance partners fail to develop product candidates in a timely manner or obtain regulatory approval for them, our ability to generate future revenues, and our results of operations and financial position would be adversely affected.

Research and Development Expenses

Since our inception, we have focused our resources on our research and development activities, including conducting preclinical studies and clinical trials, manufacturing development efforts and activities related to regulatory filings for our product candidates. We recognize research and development expenses as they are incurred. Our research and development expenses consist primarily of:

- salaries and related overhead expenses for personnel in research and development functions;
- fees paid to consultants and clinical research organizations, or CROs, including in connection with our preclinical and clinical trials, and other related clinical trial fees, such as for investigator grants, patient screening, laboratory work, clinical trial database management, clinical trial material management and statistical compilation and analysis;
- costs related to acquiring and manufacturing clinical trial materials;
- depreciation of leasehold improvements, laboratory equipment and computers;
- costs related to compliance with regulatory requirements; and
- costs related to stock options or other stock-based compensation granted to personnel in research and development functions.

From inception through March 31, 2014, we have incurred approximately \$125.3 million in research and development expenses. We plan to increase our research and development expenses for the foreseeable future as we continue the development of OCA for the treatment of PBC, NASH and PSC, and other indications and to further advance the development of our other product candidates, subject to the availability of additional funding.

The table below summarizes our direct research and development expenses by program for the periods indicated. Our direct research and development expenses consist principally of external costs, such as fees paid to investigators, consultants, central laboratories and CROs, in connection with our clinical trials, and costs related to acquiring and manufacturing clinical trial materials. We have been developing OCA and other FXR agonists, as well as TGR5 agonists, and typically use our employee and infrastructure resources across multiple research and development programs. We do not allocate salaries, stock-based compensation, employee benefit or other indirect costs related to our research and development function to specific product candidates. Those expenses are included in "Personnel costs" and "Indirect research and development expense" in the table below.

	Three Months Ended March 31,	
	2013	2014
	(In thousands)	
Direct research and development expense by program:		
OCA	\$ 2,845	\$ 5,009
INT-767	85	584
INT-777	44	-
Total direct research and development expense	2,974	5,593
Personnel costs (1)	1,728	19,645
Indirect research and development expense	130	692
Total research and development expense	<u>\$ 4,832</u>	<u>\$ 25,930</u>

(1) Personnel costs include stock options and restricted stock units granted to employees and non-employees with an associated stock-based compensation expense of \$709,000 and \$17.6 million for the three months ended March 31, 2013 and 2014, respectively.

The successful development of our clinical and preclinical product candidates is highly uncertain. At this time, we cannot reasonably estimate the nature, timing or costs of the efforts that will be necessary to complete the remainder of the development of any of our clinical or preclinical product candidates or the period, if any, in which material net cash inflows from these product candidates may commence. This is due to the numerous risks and uncertainties associated with developing drugs, including the uncertainty of:

- the scope, rate of progress and expense of our ongoing, as well as any additional, clinical trials and other research and development activities;
- future clinical trial results; and
- the timing and receipt of any regulatory approvals.

A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the U.S. Food and Drug Administration, or FDA, or another regulatory authority were to require us to conduct clinical trials beyond those that we currently anticipate will be required for the completion of clinical development of a product candidate or if we experience significant delays in any of our clinical trials, we could be required to expend significant additional financial resources and time on the completion of clinical development.

OCA

The majority of our research and development resources are focused on our ongoing and planned clinical and preclinical studies and the other work we plan to undertake to support our New Drug Application, or NDA, and Marketing Authorization Application, or MAA, filings for OCA for the treatment of PBC, which we currently plan to complete by the first half of 2015. We have incurred and expect to continue to incur significant expenses in connection with these efforts, including:

- We completed our Phase 3 POISE trial of OCA in patients with PBC in March 2014 and expect to continue the LTSE phase of the trial through 2019.
- We are currently in discussions with the FDA on the clinical outcomes trial for OCA in PBC that must be underway at the time the FDA makes a decision whether to grant accelerated approval. The clinical outcomes trial will be completed on a post-marketing basis. We currently anticipate finalizing the protocol for this trial during the third quarter of 2014 and initiating this trial around year end 2014.
- We plan to conduct a Phase 1 clinical trial in healthy volunteers to evaluate the effect of OCA on the heart's electrical cycle, known as the QT interval, and additional Phase 1 clinical trials in 2014.
- We have contracted with third-party manufacturers to produce the quantities of OCA needed for regulatory approval as well as the necessary supplies for our other contemplated trials and are working to secure second manufacturers. We are currently reviewing potential third-party manufacturers for our commercial supply of OCA and plan to begin building commercial supplies, including supplies of the starting material for manufacturing OCA, in 2014.
- We have contracted with and plan to engage a number of consultants in relation to our seeking of regulatory approval and intend to implement various electronic software and systems in relation to our regulatory activities.

In addition, we are evaluating OCA in other chronic liver and other intestinal diseases. Pending our detailed review of the FLINT trial results and discussions with the FDA and European Medicines Agency, or EMA, we plan to initiate our Phase 3 clinical program in NASH during the first half of 2015. In the meantime, we intend to initiate a Phase 2 trial investigating the lipid metabolic effects of OCA in NASH patients in the second half of 2014 and are evaluating whether to initiate a Phase 2 trial of OCA in pediatric NASH patients in late 2014. For PSC, we intend to initiate a Phase 2 clinical trial at the end of 2014.

INT-767 and INT-777

We are currently conducting research in collaboration with Servier to discover and develop additional novel TGR5 agonists. We also intend to continue to develop INT-767 (a dual FXR/TGR5 agonist) and INT-777 (pure TGR5 agonist), our two existing compounds not included in this collaboration. Currently, we plan to continue with preclinical development of INT-767 through to the filing of an Investigational New Drug, or IND, application and, subject to the IND application becoming effective, initiate a Phase 1 trial of INT-767 in healthy volunteers in the first half of 2015. We intend to continue development of INT-777 through potential collaborations with third parties over the next several years.

Other than OCA, our product development programs are at an early stage, and successful development of OCA and our future product candidates from these programs is highly uncertain and may not result in approved products. Completion dates and completion costs can vary significantly for each future product candidate and are difficult to predict. We anticipate we will make determinations as to which programs to pursue and how much funding to direct to each program on an ongoing basis in response to our ability to maintain or enter into new strategic alliances with respect to each program or potential product candidate, the scientific and clinical success of each future product candidate, as well as ongoing assessments as to each future product candidate's commercial potential. We will need to raise additional capital and may seek additional strategic alliances in the future in order to advance our various programs.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related costs for employees in executive, operational, finance and human resources functions. Other significant general and administrative expenses include OCA pre-commercial activities, facilities costs, accounting and legal services, directors and officer liability insurance, information technology, professional fees for directors, travel, and other expense of operating as a public company.

Our general and administrative expenses have increased and will continue to increase as we operate as a public company and due to the potential commercialization of our product candidates. We believe that these increases will likely include increased costs related to the hiring of additional personnel and increased fees for outside consultants, lawyers and accountants. We have also incurred and may continue to incur increased costs to comply with corporate governance, internal controls and similar requirements applicable to public companies. In 2014, we anticipate that we will also implement a number of software, systems and other infrastructural changes in relation to our operations as a public company.

Other Income, Net

Other income consists of interest income earned on our cash, cash equivalents and investment securities. We expect interest income to increase in future periods as we invest the proceeds from our equity financings.

Revaluation of Warrants

In conjunction with various financing transactions, we issued warrants to purchase shares of our common stock. As of March 31, 2014, except for the warrants issued to Genextra S.p.A., all of the warrants have either been exercised or expired in accordance with their terms. Certain of the warrants that were outstanding during the first quarter of 2013 and 2014 included a provision that provides for a reduction in the warrant exercise price upon subsequent issuances of additional shares of common stock for consideration per share less than the applicable per share warrant exercise price. The warrants containing this provision, including the warrants held by Genextra S.p.A., are deemed to be derivative instruments and as such, are recorded as a liability and marked-to-market at each reporting period. Certain other warrants outstanding during the first quarter of 2013 included a provision that required the shares underlying the warrants to be registered upon the completion of an initial public offering. As a result, these warrants were reclassified as a liability as of the date of our initial public offering and were also marked-to-market at each reporting date since the offering. The fair value estimates of these warrants are determined using a Black-Scholes option-pricing model and are based, in part, on subjective assumptions and could differ materially in the future. Non-cash changes in the fair value of the common stock warrant liability from the prior period is recorded as a component of other income and expense.

Results of Operations

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

The following table summarizes our results of operations for each of the three months ended March 31, 2013 and 2014, together with the changes in those items in dollars:

	Three Months Ended March 31,		Dollar Change
	2013	2014	
	(In thousands)		
Licensing revenue	\$ 405	\$ 405	\$ -
Operating expenses:			
Research and development	4,832	25,930	21,098
General and administrative	2,397	5,651	3,254
Loss from operations	(6,824)	(31,176)	(24,352)
Warrant revaluation expense	(3,683)	(226,627)	(222,944)
Other income, net	296	136	(160)
Net loss	<u>\$ (10,211)</u>	<u>\$ (257,667)</u>	<u>\$ (247,456)</u>

Licensing Revenue

Licensing revenue was \$405,000 and \$405,000 for the three months ended March 31, 2013 and 2014, respectively, resulting from the amortization of the up-front payments from the collaboration agreements entered into with DSP.

Research and Development Expenses

Research and development expenses were \$4.8 million and \$25.9 million for the three months ended March 31, 2013 and 2014, respectively, representing an increase of \$21.1 million. This increase in research and development expense primarily reflects:

- increased non-cash stock-based compensation expense of approximately \$16.9 million, primarily related to the remeasurement of previously granted options to consultants;
- an increase in personnel on our development team to manage the increased activities around our development program for OCA, resulting in increased compensation, bonus, and benefits expense of approximately \$1.0 million;
- increased Phase 1 clinical trial costs in support of the NDA/MAA filings of approximately \$1.8 million;
- increased indirect costs of approximately \$561,000 primarily due to increased legal costs related to our patent portfolio of \$219,000, increased rent and utilities of approximately \$100,000 and increased travel related costs of \$100,000; and
- increased consulting costs in support of our anticipated NDA/MAA filings of approximately \$312,000.

General and Administrative Expenses

General and administrative expenses were \$2.4 million and \$5.6 million in the three months ended March 31, 2013 and 2014, respectively. The \$3.2 million increase primarily reflects:

- increased pre-commercial activities, including an increase in personnel resulting in increased compensation and related benefits, of approximately \$1.5 million;
- an increase in non-cash stock-based compensation expense of approximately \$500,000;
- an increase in personnel to manage the increased activities due to our operating as a public company, resulting in increased compensation and the related benefit expense of approximately \$482,000;
- increased legal expenses of approximately \$200,000;
- increased accounting and filing fees of approximately \$200,000; and
- increased rent and utilities of approximately \$175,000.

Revaluation of Warrants

Our outstanding warrants are deemed to be derivative instruments that require liability classification and mark-to-market accounting. As such, at the end of each reporting period, the fair values of the warrants were determined by us using a Black-Scholes option-pricing model, resulting in the recognition of a loss of \$3.7 million and \$226.6 million for the three months ended March 31, 2013 and 2014, respectively. These fluctuations in value were primarily due to the increase in the price of our common stock underlying the warrants, slightly offset by the declines in the estimated life of the warrants and changes in volatility of the shares of common stock underlying the warrants.

Other Income, Net

Other income, net was primarily attributable to interest income earned on cash, cash equivalents and investment securities, which decreased compared to the prior year period as a result of the increase in the amortization of investment premiums.

Liquidity and Capital Resources

Sources of Liquidity

We have incurred losses of \$443.6 million and utilized net cash of \$107.9 million to fund operations since our inception in September 2002 through March 31, 2014. We anticipate that we will continue to incur losses for at least the next several years. We expect that our research and development and general and administrative expenses will continue to increase and, as a result, we will need additional capital to fund our operations, which we may seek to obtain through a combination of equity offerings, debt financings, government or other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements.

Since our inception through March 31, 2014, we have funded our operations primarily through the sale of common stock, preferred stock, convertible notes and warrants, totaling \$250.4 million (net of issuance costs) including \$29.7 million in net proceeds from our Series C financing in August 2012, \$78.7 million in net proceeds from our initial public offering in October 2012, and \$61.2 million in net proceeds from our follow-on public offering in June 2013, and the receipt of \$16.4 million in up-front payments under our licensing and collaboration agreements with DSP and Servier. As of March 31, 2014, we had cash, cash equivalents and investment securities of approximately \$134.1 million. Cash in excess of immediate requirements is invested in accordance with our investment policy, primarily with a view to liquidity and capital preservation. Currently, our funds are held in cash and money market bank accounts and investments, all of which have maturities of less than two years.

In April 2014, we completed a follow-on public offering of 1,000,000 shares of our common stock, of which 600,000 shares were sold by us and 400,000 shares were sold by certain selling stockholders, at a public offering price of \$320.00 per share. After underwriting discounts and commissions and estimated offering expenses, we received net proceeds from the offering of approximately \$183.4 million. We did not receive any proceeds from the sale of shares of common stock by the selling stockholders.

Cash Flows

The following table sets forth the significant sources and uses of cash for the periods set forth below:

	Three Months Ended March 31,	
	2013	2014
	(In thousands)	
Net cash provided by (used in):		
Operating activities	\$ (5,636)	\$ (12,318)
Investing activities	(8,252)	7,706
Financing activities	87	2,460
Net decrease in cash and cash equivalents	<u>\$ (13,801)</u>	<u>\$ (2,152)</u>

Operating Activities. Net cash used in operating activities of \$5.6 million during the three months ended March 31, 2013 was primarily a result of our \$10.2 million net loss, offset by the add-back of non-cash expenses of \$1.6 million for stock-based compensation and \$3.7 million for warrant liability revaluation. Net cash used in operating activities of \$12.3 million during the three months ended March 31, 2014 was primarily a result of our \$257.7 million net loss, offset by the add-back of non-cash expenses of \$19.1 million for stock-based compensation and \$226.6 million for warrant liability revaluation, the amortization of investment premium of \$552,000 and net changes in operating assets and liabilities of \$1.0 million.

Investing Activities. Net cash provided by investing activities for the three months ended March 31, 2014 was \$7.7 million as compared to net cash of \$8.3 million used in investing activities during the same period in 2013. This increase of approximately \$15.9 million is attributed to the increase in the sale of our investments of \$21.7 million offset by increased purchases of investments of \$5.5 million.

Financing Activities. Net cash provided by financing activities for the three months ended March 2014 were \$2.5 million compared to \$87,000 for the comparable period in 2013. This increase was primarily the result of funds received through the exercise of stock options.

Future Funding Requirements

To date, we have not generated any revenue from product sales. We do not know when, or if, we will generate any revenue from product sales. We do not expect to generate significant revenue from product sales unless and until we obtain regulatory approval of and commercialize OCA or any of our other product candidates. At the same time, we expect our expenses to increase in connection with our ongoing development activities, particularly as we continue the research, development and clinical trials of, and seek regulatory approval for, our product candidates. We have incurred and expect to incur additional costs associated with operating as a public company. In addition, subject to obtaining regulatory approval of any of our product candidates, we expect to incur significant commercialization expenses for product sales, marketing, manufacturing and distribution. We anticipate that we will need substantial additional funding in connection with our continuing operations.

Based upon our currently expected level of operating expenditures, we believe that our existing cash, cash equivalents, short-term investments, including the \$183.4 million of net proceeds we received from the sale of our common stock in April 2014, and anticipated funding under our DSP and Servier collaborations, will enable us to fund our operating expenses and capital expenditure requirements through 2016. Although our current plans are still preliminary and subject to change, our current estimate reflects, among other items, the planned initiation of our confirmatory clinical outcomes trial of OCA in PBC and engaging in other planned activities for seeking regulatory approval of OCA in PBC, including several Phase 1 pharmacology clinical trials; the planned initiation of a Phase 2 trial investigating the lipid metabolic effects of OCA in NASH patients; the anticipated initiation of a Phase 2 clinical trial of OCA in PSC; an anticipated increase in pre-commercial and commercial activities for OCA, including activities in preparation of the potential commercial launch of OCA in PBC; the planned initiation of our Phase 3 program in NASH; and pre-clinical studies anticipated to be needed for the submission of an IND for INT-767 and the planned initiation of a Phase 1 clinical trial for INT-767. We have based our estimates on assumptions that may prove to be wrong, and we may use our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with the development and commercialization of our product candidates, we are unable to estimate the amounts of increased capital outlays and operating expenditures necessary to complete the development of our product candidates.

The amount and timing of our future funding requirements will depend on many factors, including:

- the results of, and the data from, the Phase 2b FLINT trial of OCA in NASH patients and our other clinical trials;
- the willingness of the FDA and EMA to accept our POISE trial, as well as our other completed and planned clinical and preclinical studies and other work, as the basis for review and marketing approval of OCA for PBC;
- the progress, costs, results of and timing of our planned confirmatory clinical outcomes trial of OCA for the treatment of PBC;
- the progress, costs, results of and timing of clinical development of OCA for other indications, including any additional clinical trials that may be needed to continue our development of, and to seek regulatory approval for, OCA in NASH;
- the outcome, costs and timing of seeking and obtaining FDA, EMA and any other regulatory approvals;
- the number and characteristics of product candidates that we pursue, including our product candidates in preclinical development, such as INT-767, and whether we pursue their development independently or with a third-party collaborator;
- the ability of our product candidates to progress through pre-clinical and clinical development successfully and in a timely manner;
- our need to expand our research and development activities;
- the costs associated with securing and establishing commercialization and manufacturing capabilities and procuring the materials necessary for the manufacturing of our product candidates;
- market acceptance of our product candidates;
- the costs of acquiring licensing or investing in business, products, product candidates and technologies;

- our ability to maintain, expand and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with the licensing, filing, prosecution, defense, and enforcement of any patents or to the intellectual property rights;
- our need and ability to hire additional management, scientific and medical, commercial and other qualified personnel;
- the effect of competing technological and market developments;
- our need to implement additional internal systems, software and infrastructure, including those to assist in our financial and reporting, clinical development and commercialization efforts; and
- the economic and other terms, timing of and success of our existing licensing arrangement and any collaboration, licensing or other arrangement into which we may enter in the future.

Until such time, if ever, as we can generate substantial revenue from product sales, we expect to finance our cash needs through a combination of equity offerings, debt financings, government or other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of our common stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through government or other third-party funding, marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us.

Contractual Obligations and Commitments

Other than as described below, there have been no material changes to our contractual obligations and commitments outside the ordinary course of business from those disclosed under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Contractual Obligations and Commitments” in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014.

On May 1, 2014, we entered into a lease agreement with The Irvine Company LLC for our new office in San Diego. The lease will provide us with approximately 47,000 rentable square feet in San Diego for office space. The lease term is anticipated to commence in September 2014 and is anticipated to end in September 2019. We also have an option to further extend the lease for an additional five year term at market rates prevailing at such time.

The rent for the first year will be approximately \$874,000 without giving effect to rent abatements and the rent will gradually increase every 12 months during the lease term. During the first six months, we will receive a partial rent abatement from the landlord. The landlord will also provide us with contributions of up to approximately \$2.4 million for improvements to the office space.

Pursuant to the terms of the new lease, we have provided the landlord with a letter of credit for \$874,000, which will decrease at certain times during the term of the lease.

The Irvine Company LLC, which is also the landlord of our current San Diego office, has agreed to release us from our obligations under the current San Diego lease effective as of the commencement date of the lease for our new San Diego office.

Off-Balance Sheet Arrangements

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

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of U.S. interest rates and there have been no material changes since our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, or Exchange Act) as of March 31, 2014, have concluded that, based on such evaluation, our disclosure controls and procedures were adequate and effective. In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting, identified in connection with the evaluation of such internal control, that occurred during the last fiscal quarter 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 February 21, 2014 and February 28, 2014, purported shareholder class actions, styled *Scot H. Atwood v. Intercept Pharmaceuticals, Inc. et al.* and *George Burton v. Intercept Pharmaceuticals, Inc. et al.*, respectively, were filed in the United States District Court for the Southern District of New York, naming us and certain of our officers as defendants. These lawsuits were filed by stockholders who claim to be suing on behalf of anyone who purchased or otherwise acquired our securities between January 9, 2014 and January 10, 2014.

The lawsuits allege that we made material misrepresentations and/or omissions of material fact in our public disclosures during the period from January 9, 2014 to January 10, 2014, in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. The alleged improper disclosures relate to our January 9, 2014 announcement that the FLINT trial had been stopped early based on a pre-defined interim efficacy analysis. Specifically, the lawsuits claim that our January 9, 2014 announcement was misleading because it did not contain information regarding certain lipid abnormalities seen in the FLINT trial in OCA-treated patients compared to placebo. The plaintiffs in each suit seek unspecified monetary damages on behalf of the putative class and an award of costs and expenses, including attorneys' fees. On April 22, 2014, two individuals each moved to consolidate the cases and to be appointed as the lead plaintiff. Those motions are currently pending before the Court.

Additional complaints may be filed against us and our directors and officers related to our disclosures.

We believe that these lawsuits are without merit. At this time, no assessment can be made as to the likely outcome of these lawsuits or whether the outcome will be material to us. Therefore, we have not accrued for any loss contingencies related to these lawsuits.

Item 1A. Risk Factors.

There have been no material changes to our risk factors contained in our Annual Report on Form 10-K for the period ended December 31, 2013 and any updates to those risk factors contained in our subsequent periodic and current reports filed with the Securities and Exchange Commission. For a further discussion of our Risk Factors, refer to the "Risk Factors" discussion contained in such filings.

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

Recent Sales of Unregistered Securities

Set forth below is information regarding securities sold by us during the three months ended March 31, 2014 that were not registered under the Securities Act of 1933, as amended, or Securities Act. Also included is the consideration, if any, received by us for the securities and information relating to the section of the Securities Act, or rule of the Securities and Exchange Commission, under which exemption from registration was claimed.

Between January 1 and March 31, 2014, we did not issue or sell any shares on an unregistered basis. On April 10, 2014, we issued an aggregate of 834,758 shares of common stock upon the cashless exercise by Genextra S.p.A. of all of its warrants to purchase a total of 865,381 shares of common stock. No underwriters were involved in the foregoing sales of securities. The securities described above were issued and sold in reliance on the exemptions from registration provided by Section 4(2) of the Securities Act and/or Rule 506 of Regulation D promulgated under the Securities Act. Genextra S.p.A. represented to us in connection with its purchase that it was acquiring the securities for investment and not for distribution and that it could bear the risks of the investment. Genextra S.p.A. received written disclosures that the securities had not been registered under the Securities Act and that any resale must be made pursuant to a registration statement or an available exemption from registration.

Purchase of Equity Securities

We did not purchase any of our registered equity securities during the period covered by this Quarterly Report on Form 10-Q.

Use of Proceeds from Registered Securities

On October 10, 2012, we completed our initial public offering of 5,750,000 shares of our common stock at a price of \$15.00 per share for aggregate gross proceeds of approximately \$86.3 million. The offer and sale of all of the shares in the offering were registered under the Securities Act pursuant to a registration statement on Form S-1, which was declared effective on October 10, 2012 (File No. 333-183706), and a registration statement on Form S-1 filed pursuant to Rule 462(b) of the Securities Act (File No. 333-184370).

We received aggregate net proceeds from the offering of approximately \$78.7 million, after deducting approximately \$6.1 million of underwriting discounts and commissions, and approximately \$1.5 million of estimated offering expenses payable by us. None of the underwriting discounts and commissions or other offering expenses were incurred or paid to our directors or officers or their associates or to persons owning 10 percent or more of our common stock or to any of our affiliates.

We invested the net proceeds from the offering in a variety of capital preservation investments, including money market funds, U.S. Treasury notes and high quality marketable debt instruments of corporate, financial institutions, and government sponsored enterprises. We have broad discretion in the use of the net proceeds from our initial public offering and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our stock.

As of March 31, 2014, we have not used any of the net proceeds from the initial public offering.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

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

SIGNATURES

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

INTERCEPT PHARMACEUTICALS, INC.

Date: May 9, 2014

By: /s/ Mark Pruzanski, M.D.
Mark Pruzanski
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 9, 2014

By: /s/ Barbara Duncan
Barbara Duncan
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit Index

Exhibit Number	Description of Exhibit
10.1	Non-Employee Director Compensation Policy.#
10.2	Employment Agreement by and between the Registrant and Rachel McMinn, effective as of April 30, 2014.#
10.3	Form of Restricted Stock Award Grant Notice for Directors under the 2012 Equity Incentive Plan of the Registrant.#
10.4	Form of Restricted Stock Award Grant Notice for Employees and Consultants under the 2012 Equity Incentive Plan of the Registrant.#
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheet at December 31, 2013 and March 31, 2014 (unaudited), (ii) Condensed Consolidated Statements of Operations and Comprehensive Loss for the three month periods ended March 31, 2013 and 2014 (unaudited), and the period from September 4, 2002 (inception) through March 31, 2014 (unaudited), (iii) Condensed Consolidated Statements of Cash Flows for the three month periods ended March 31, 2013 and 2014 (unaudited) and for the period from September 4, 2002 (inception) to March 31, 2014 (unaudited) and (iv) Notes to Condensed Consolidated Financial Statements (unaudited).+

Management or director compensation plan or policy.

+ Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.

INTERCEPT PHARMACEUTICALS, INC.

NON-EMPLOYEE DIRECTOR COMPENSATION POLICY

The Board of Directors of Intercept Pharmaceuticals, Inc. (the “Company”) has approved the following Non-Employee Director Compensation Policy (this “Policy”) which establishes compensation to be paid to non-employee directors of the Company, to provide an inducement to obtain and retain the services of qualified persons to serve as members of the Company’s Board of Directors.

Applicable Persons

This Policy shall apply to each director of the Company who is not an employee of, or compensated consultant to, the Company or any Affiliate (each, an “Outside Director”). “Affiliate” shall mean an entity which is a direct or indirect parent or subsidiary of the Company, as determined pursuant to Section 424 of the Internal Revenue Code of 1986, as amended.

Equity Grants

Annual Equity Grants

Each Outside Director who has served as a member of the Board of Directors for at least nine months prior to the date of the Company’s annual meeting of stockholders (the “Annual Meeting Date”) shall be granted, automatically and without any action on the part of the Board of Directors, under the Company’s 2012 Equity Incentive Plan or any successor plan (the “Equity Plan”) a non-qualified stock option and/or restricted shares of the Company’s common stock (“Restricted Stock”) each year on such Annual Meeting Date. The following table sets forth the value of the stock options and Restricted Stock to be granted to the Outside Directors as part of their annual equity grants:

	Stock Options	Restricted Stock
Chairperson of the Board	\$ 60,000	\$ 60,000
Other Outside Directors	\$ 47,500	\$ 47,500

The equity grants shall vest on the one-year anniversary of the date of grant, subject to the Outside Director’s continued service on the Board of Directors; provided, however, that if the next subsequent Annual Meeting Date 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 Outside Director’s continued service on the Board of Directors. The grants shall vest in full immediately prior to a change in control of the Company.

Initial Equity Grants for Newly Appointed or Elected Directors

Each new Outside Director shall be granted (i) a non-qualified stock option under the Equity Plan to purchase shares of the Company’s common stock equivalent to \$95,000 in value and (ii) shares of Restricted Stock equivalent to \$95,000 in value. The grant shall be made automatically and without any action on the part of the Board of Directors, on the first Annual Meeting Date immediately following the appointment of the new Outside Director; provided, however, that if the new Outside Director is initially elected on such Annual Meeting Date, the date of grant shall be the Annual Meeting Date upon which such Outside Director was initially elected to the Board of Directors.

The equity grants shall vest annually over three years on the anniversary of the date the Outside Director was first elected or appointed to the Board of Directors (each, an “Anniversary Date”), subject to the Outside Director’s continued service on the 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 shall occur on the day immediately preceding the date of the Annual Meeting Date in such year, subject to the Outside Director’s continued service on the Board of Directors. The grants shall vest in full immediately prior to a change in control of the Company.

Calculation Methodology

The number of shares underlying the stock options to be granted to Outside Directors shall be determined based on a Black-Scholes calculation (using the assumptions the Company uses to determine the fair value of an option grant in accordance with the accounting rules) on the date of grant. The number of shares of Restricted Stock to be granted to Outside Directors shall be based on the fair market value of the Company’s common stock as determined in the Equity Plan on the date of grant. All stock options shall have an exercise price equal to the fair market value of the Company’s common stock as determined in the Equity Plan on the date of grant.

Cash Fees

Annual Cash Payments

The following annual cash fees shall be paid to the Outside Directors serving on the Board of Directors and the Audit Committee, Compensation Committee and Nominating and Governance Committee, as applicable.

Board of Directors or Committee of Board of Directors	Annual Retainer Amount for Chair	Annual Retainer Amount for Other Members
Board of Directors	\$ 65,000	\$ 40,000
Audit Committee	\$ 15,000	\$ 7,500
Compensation Committee	\$ 10,000	\$ 5,000
Nominating and Governance Committee	\$ 7,000	\$ 3,000

Payment Terms for All Cash Fees

Cash payments payable to Outside Directors shall be paid quarterly in arrears as of the last day of each fiscal quarter. Committee cash fees shall commence effective as of January 1, 2014.

Following an Outside Director's first election or appointment to the Board of Directors, such Outside Director shall receive his or her cash compensation pro-rated during the first fiscal quarter in which he or she was initially appointed or elected for the number of days during which he or she provides service. If an Outside Director dies, resigns or is removed during any quarter, he or she shall be entitled to a cash payment on a pro-rated basis through his or her last day of service.

Expenses

Upon presentation of documentation of such expenses reasonably satisfactory to the Company, each Outside Director shall be reimbursed for his or her reasonable out-of-pocket business expenses incurred in connection with attending meetings of the Board of Directors and Committees thereof or in connection with other business related to the Board of Directors, and each Outside Director shall also be reimbursed for his or her reasonable out-of-pocket business expenses authorized by the Board of Directors or a Committee of the Board of Directors that are incurred in connection with attendance at various conferences or meetings with management of the Company. Each Outside Director shall abide by the Company's travel and other policies applicable to Company personnel.

Amendments

The Compensation Committee or the Board of Directors shall review this Policy from time to time to assess whether any amendments in the type and amount of compensation provided herein should be adjusted in order to fulfill the objectives of this Policy.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement"), made effective as of April 30, 2014, is entered into by Intercept Pharmaceuticals, Inc. (the "Company") and Rachel McMinn ("Executive").

WHEREAS, the Company desires to employ Executive, and Executive desires to be employed by the Company on the terms hereinafter set forth.

NOW THEREFORE, in consideration of the mutual covenants and promises contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties to this Agreement, the parties agree as follows:

1. **Term of Employment.** The Company hereby agrees to employ Executive, and Executive hereby accepts employment with the Company, upon the terms set forth in this Agreement, for the period commencing on the date hereof (the "Commencement Date") and ending on April 30, 2015, unless sooner terminated in accordance with the provisions of Section 4 (such period, the "Initial Term"); provided, however, that on each anniversary of the Commencement Date, the term of employment under this Agreement shall be automatically extended for an additional one-year period (each such period, a "Subsequent Period") unless terminated sooner pursuant to Section 4 or if, at least thirty (30) days prior to the applicable anniversary date, either Executive or the Company provides written notice to the other party electing not to extend. The Initial Term together with each Subsequent Term, if any, are referred to hereinafter as the "Agreement Term."

2. **Title; Capacity.** During the Agreement Term, the Company will employ Executive as its Chief Strategy Officer to perform the duties and responsibilities inherent in such position and such other duties and responsibilities as the Chief Executive Officer of the Company (the "CEO") shall from time to time reasonably assign to her. On an annual basis, the Company's Board of Directors (the "Board") in consultation with Executive and the CEO, will set reasonably attainable, specific goals pursuant to the objectives of the Company as in effect from time to time. Executive shall report directly to the CEO and shall be subject to the supervision of, and shall have such authority as is delegated to her by, the CEO, which authority shall be sufficient to perform her duties hereunder. Executive will be based at the Company's headquarters in New York, New York. Subject to Section 4.3 below, the location of Executive's employment is subject to change during the course of the Agreement Term as determined by the Board in consultation with the Executive. Executive hereby accepts such employment and agrees to undertake the duties and responsibilities inherent in such position and such other duties as may be reasonably assigned to her. Executive shall devote her full business time, energies and attention in the performance of the foregoing services. Notwithstanding the foregoing, nothing herein shall preclude Executive from (i) performing services for such other companies as the Company may designate or permit, (ii) serving, with the prior written consent of the Board, which consent shall not be unreasonably withheld, as an officer or member of the boards of directors or advisory boards (or their equivalents in the case of a non-corporate entity) of non-competing businesses, (iii) serving as an officer or a member of charitable, educational or civic organizations, (iv) engaging in charitable activities and community affairs, and (v) managing Executive's personal investments and affairs; provided, however, that the activities set out in clauses (i) – (v) shall be limited by Executive so as not to materially interfere, individually or in the aggregate, with the performance of Executive's duties and responsibilities hereunder.

3. Compensation and Benefits.

3.1 Salary. The Company shall pay Executive an initial annualized base salary of \$355,000.00, payable in accordance with the Company's regular payroll practices. Such base salary shall be subject to annual review and increase (but not decrease) as may be determined and approved by the Board or the Company's Compensation Committee in its sole discretion.

3.2 Bonuses. At the end of a given fiscal year, Executive will be eligible to receive a bonus equal to up to 40% of her base salary in effect at the end of such fiscal year. The amount of any such bonus shall be based on factors including, but not limited to, Executive's achievement, as determined by the Board or the Compensation Committee in its sole discretion, of reasonable goals and milestones established in advance by the Board or the Compensation Committee in consultation with the CEO and Executive. The period for calculation of the bonus shall be consistent with the Company's fiscal year. Such bonus, if any, will be paid to Executive on or after January 1 and in any case no later than March 15 of the immediately succeeding fiscal year. The bonus shall be paid in cash; provided that, if requested by Executive and approved by the Board, some or all of the bonus may be paid in equity under the Company's stockholder approved stock plan then in effect (valued at the fair market value thereof), or any combination of the foregoing. To the extent that the Company is required pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act to develop and implement a policy (the "Policy") providing for the recovery from the Executive of any payment of incentive-based compensation paid to the Executive that was based upon erroneous data contained in an accounting statement, this Agreement shall be deemed amended and the Policy incorporated herein by reference as of the date that the Company takes all necessary corporate action to adopt the Policy, without requiring any further action of the Company or the Executive, provided that any such Policy shall only be binding on the Executive if the same Policy applies to the Company's other executive officers.

3.3 Signing Bonus. The Company shall pay to Executive a starting bonus of \$50,000, which shall be payable in accordance with the following schedule: (i) \$25,000 shall be payable together with the first regularly scheduled paycheck for salary to be received by Executive (the "First Signing Bonus") and (ii) an additional \$25,000 (the "Second Signing Bonus"), shall be payable on May 1, 2015 (the "Second Signing Bonus Payment Date"), if Executive remains employed at the Company on the Second Signing Bonus Payment Date. If Executive voluntarily leaves the employment of the Company or if Executive's employment is terminated by the Company for Cause (as defined below) on or before the Second Signing Bonus Payment Date, Executive shall repay to the Company the First Signing Bonus in full on the last day of employment and the Second Signing Bonus shall be forfeited. If Executive voluntarily leaves the employment of the Company or if Executive's employment is terminated by the Company for Cause after the Second Signing Bonus Payment Date but on or before the first anniversary of the Second Signing Bonus Payment Date, Executive shall repay to the Company the Second Signing Bonus in full on the last day of employment.

3.4 Equity Awards.

(a) On the Commencement Date, the Company shall award Executive (i) a stock option under its 2012 Equity Incentive Plan (the "2012 Plan") to purchase shares of the Company's common stock at a per share exercise price equal to the closing price of the common stock on the Commencement Date (the "Time-Based Option"), such price being the fair market value of one share of the Company's common stock on the date thereof, with the aggregate fair value of the Time-Based Option equal to \$1,300,000 as of the date of grant based on the Black-Scholes methodology as approved by the Company's Compensation Committee and/or the Board and (ii) shares of restricted stock (the "Restricted Stock") with an aggregate fair value equal to \$1,300,000 as of the date of grant.

(b) On the Commencement Date, the Company shall award Executive a stock option under its 2012 Plan to purchase shares of the Company's common stock at a per share exercise price equal to the closing price of the common stock on the Commencement Date (the "Performance Option"), such price being the fair market value of one share of the Company's common stock on the date thereof, with the aggregate fair value of the Performance Option equal to \$1,400,000 as of the date of grant based on the Black-Scholes methodology as approved by the Company's Compensation Committee and/or the Board.

(c) Each of the Time-Based Option, the Restricted Stock and the Performance Option will be evidenced in writing by an agreement provided by the Company. The Time-Based Option shall vest as follows: (i) one-quarter of the Time-Based Option will vest on the first anniversary of the Commencement Date; and (ii) the remaining balance will vest in equal monthly installments in arrears over the three (3) year period commencing on the first anniversary of the Commencement Date and ending on the fourth anniversary of the Commencement Date, all subject to Executive's continued employment by the Company and the 2012 Plan, except as otherwise set forth herein. The Time-Based Option agreement will specify that vested options shall be exercisable for up to ten (10) years, subject to the terms of this Agreement and the 2012 Plan. The shares underlying the Restricted Stock shall vest as follows: (x) one-quarter of the shares underlying the Restricted Stock will vest on the first anniversary of the Commencement Date; and (y) the remaining balance will vest in equal quarterly installments in arrears over the three (3) year period commencing on the first anniversary of the Commencement Date and ending on the fourth anniversary of the Commencement Date, all subject to Executive's continued employment by the Company and the 2012 Plan, except as otherwise set forth herein. The Performance Option shall vest based on the satisfaction of certain regulatory milestones as may be determined by the Compensation Committee or the Board at the time of grant (and as to be set forth in the Performance Option agreement), all subject to Executive's continued employment by the Company and the 2012 Plan, except as otherwise set forth herein. The Performance Option agreement will specify that vested options shall be exercisable for up to ten (10) years, subject to the terms of this Agreement and the 2012 Plan.

(d) At the sole discretion of the Board or the Company's Compensation Committee, additional stock options or other equity-based awards may be granted to Executive from time to time.

3.5 Fringe Benefits. Executive shall be entitled to participate in all bonus and benefit programs that the Company establishes and makes available to its executives and/or employees from time to time, including, but not limited to, health care plans, dental care plans, supplemental retirement plans, life insurance plans, disability insurance plans and incentive compensation plans, to the extent that Executive is eligible under, and subject to the terms and conditions of, the applicable plan documents governing such programs. The Company shall pay 100% of the premium cost for health insurance coverage for Executive, her spouse and children, provided that her spouse and dependents are not covered by an equivalent health insurance plan provided by her spouse's employer. Executive shall be eligible to accrue up to four (4) weeks of paid vacation each calendar year (to be taken at such times and in such number of days as Executive shall determine in consultation with the CEO and in a manner so as not to impair or otherwise interfere with Executive's ability to perform her duties and responsibilities hereunder). The vacation days for which Executive is eligible shall accrue at the rate of 1.67 days per month that Executive is employed during such calendar year. Vacation accrual will be capped at 1.75 times Executive's annual vacation accrual. When Executive's accrued vacation reaches the cap, she will not accrue additional vacation time until some of the previously accrued vacation is used and the accrued amount falls below the cap, unless the Company is acquired by another business venture, in which case none of the previous year's accrued vacation will be subject to a cap. Executive shall also be eligible for paid holidays and up to five (5) paid sick days annually, in accordance with the Company's policies for its senior executives as in effect from time to time. At the end of each calendar year, all unused sick days shall be forfeited.

3.6 Reimbursement of Expenses. The Company shall reimburse Executive for reasonable travel, entertainment and other expenses incurred or paid by her in connection with, or related to the performance of her duties, responsibilities or services under this Agreement, upon presentation by Executive of documentation, expense statements, vouchers and/or such other supporting information as the Company may request. Executive must submit proper documentation for each such expense within sixty (60) days after the later of (i) her incurrence of such expense or (ii) her receipt of the invoice for such expense. The Company will reimburse Executive for that expense within thirty (30) days after receipt of the documentation. Executive shall abide by the Company's travel and other policies applicable to Company personnel.

3.7 Withholdings. Payments made under this Section 3 shall be subject to applicable federal, state and local taxes and withholdings, if any.

4. Termination of Employment Period. The Agreement Term shall terminate upon the occurrence of any of the following:

4.1 Expiration of the Agreement Term. This Agreement shall expire at the end of the Agreement Term; provided, that notice is given in accordance with Section 1 of this Agreement.

4.2 Termination by the Company for Cause. At the election of the Company, for Cause, immediately following written notice by the Company to Executive, which notice shall identify in reasonable detail the Cause upon which termination is based. For the purposes of this Agreement, "Cause" for termination shall be deemed to exist upon:

(a) a good faith finding by the Company that (i) Executive has engaged in material dishonesty, willful misconduct or gross negligence; (ii) Executive has breached or has threatened to breach her Invention, Non-Disclosure, and Non-Solicitation Agreement; or (iii) Executive has materially breached this Agreement, and Executive has failed to cure such conduct or breach within thirty (30) days after her receipt of written notice from the Company of such breach; or

(b) Executive's conviction, guilty plea, or entry of nolo contendere to any crime involving moral turpitude, fraud or embezzlement, or any felony.

4.3 Termination By Executive for Good Reason. Executive may terminate the Agreement Term for Good Reason. For purposes of this Agreement, "Good Reason" means the occurrence, without Executive's written consent, any of the events or circumstances set forth in clauses (a) through (c) below. In addition, notwithstanding the occurrence of any of the events enumerated in clauses (a) through (c), such occurrence shall not be deemed to constitute Good Reason if, within thirty (30) days after the Company's receipt of written notice from Executive of the occurrence or existence of an event or circumstance enumerated in clauses (a) through (c), such event or circumstance has been remedied by the Company. Executive shall not be deemed to have terminated her employment for Good Reason unless she first delivers a written notice of termination to the Company identifying in reasonable detail the acts or omissions constituting Good Reason within ninety (90) days after their occurrence and the provision of this Agreement relied upon, such acts or omissions are not cured by the Company within thirty (30) days of the receipt of such notice, and Executive actually ends her employment within one-hundred and twenty (120) days after the Company's failure to cure.

(a) any other action or omission by the Company which results in a material diminution in Executive's position, status, offices, titles, authority, responsibilities, or reporting requirements;

(b) a change by the Company in the location at which Executive performs her principal duties for the Company to a different location that is more than fifty (50) miles from the location at which Executive performed her principal duties for the Company immediately prior to the date on which such change occurs; or

(c) any material breach by the Company of this Agreement.

4.4 Death or Disability. This Agreement shall terminate upon Executive's death or disability. As used in this Agreement, the determination of "disability" shall occur when Executive, due to a physical or mental disability, for a period of 60 consecutive days, or 120 days in the aggregate whether or not consecutive, during any 360-day period, is unable to perform the services contemplated under this Agreement. A determination of disability shall be made by a physician satisfactory to both Executive and the Company; provided, that, if Executive and the Company do not agree on a physician, Executive and the Company shall each select a physician and these two together shall select a third physician, whose determination as to disability shall be binding on all parties.

4.5 Termination by Executive Without Good Reason or Termination by the Company Without Cause. At the election of Executive without Good Reason or by the Company without Cause, upon not less than thirty (30) days' prior written notice to the other party.

5. Effect of Termination.

5.1 Payments Upon Termination for Any Reason. In the event Executive's employment is terminated pursuant to Section 4, the Company shall pay to Executive (or her estate or legal representative, if applicable), on the date of her termination of employment with the Company, the compensation and benefits under Sections 3.1, 3.3, 3.4 and 3.5 that are accrued and unpaid through such termination date (including, without limitation, an amount equal to all accrued but unused vacation pay and unreimbursed expenses). In the event of termination of Executive's employment by Executive by reason of non-renewal of the Agreement Term pursuant to Sections 1 and 4.1, the Company for Cause pursuant to Section 4.2, by reason of Executive's death or disability pursuant to Section 4.4, or by Executive without Good Reason pursuant to Section 4.5, Executive shall not receive any compensation or benefits other than as expressly stated in this Section 5.1 and as otherwise required by law.

5.2 Termination by the Company Without Cause, by the Company by Reason of Non-Renewal of Agreement Term, or by Executive for Good Reason. Subject to Section 5.3 below, in addition to the payments and provisions under Section 5.1, in the event of termination of Executive's employment by the Company by reason of non-renewal of the Agreement Term pursuant to Sections 1 and 4.1, by Executive for Good Reason pursuant to Section 4.3, or by the Company without Cause pursuant to Section 4.5, provided that Executive executes a release of claims substantially in the form attached hereto as Exhibit A (the "Release"), which Release must be effective and irrevocable prior to the sixty (60th) day following the termination of the Executive's employment (the "Review Period"), the Company shall provide Executive with the following:

(a) twelve (12) months of Executive's base salary in effect at the time of termination of employment, payable according to the Company's payroll commencing on the first payroll date following the date the Release is effective and irrevocable (the "Payment Date"); and

(b) the Company will, for a period of twelve (12) months following Executive's termination from employment, continue Executive's participation in the Company's group health plan and dental plan and shall pay that portion of the premiums that the Company paid on behalf of Executive and her dependents during Executive's employment, provided, however, that if the Company's health insurance plan and/or dental plan does not permit such continued participation in such plan after Executive's termination of employment, then the Company shall pay that portion of the premiums associated with COBRA continuation coverage that the Company paid on behalf of Executive and her dependents during Executive's employment, including any administrative fee, on Executive's behalf for such twelve-month period; and provided, further, that if Executive becomes employed with another employer during the period in which continued health insurance and/or dental insurance is being provided pursuant to this Section, the Company shall not be required to continue such health and dental benefits, or if applicable, to pay the costs of COBRA, if Executive becomes covered under a health insurance plan of the new employer. (For purposes of this Section 5.2(b), the term "Executive" shall include, to the extent applicable, Executive's spouse and any of her dependents covered under the Company's group health plan and/or dental plan prior to her termination of employment.)

5.3 Termination in the Event of a Change in Control.

(a) In addition to the payments and provisions under Section 5.1 but in lieu of, and not in addition to, the payments required pursuant to Section 5.2 above and 5.5 below, in the event Executive's employment with the Company is terminated by the Company by reason of non-renewal of the Agreement Term pursuant to Sections 1 and 4.1, by Executive for Good Reason pursuant to Section 4.3, or by the Company without Cause pursuant to Section 4.5, in any such case, in anticipation of and/or within twelve (12) months following a Change in Control (as defined below), provided that Executive (or her legal representative, if applicable) executes a Release and the Release becomes effective and irrevocable prior to the end of the Review Period, Executive shall be entitled to the following:

(i) a lump sum cash amount equal to twelve (12) months of Executive's base salary in effect at the time of Executive's termination, such payment to be made on the Payment Date;

(ii) for up to twelve (12) months after Executive's date of termination, the Company shall continue Executive's participation in the Company's group health and dental plan and shall pay that portion of the premiums that the Company paid on behalf of Executive and her dependents during Executive's employment; provided, however, that if the Company's health insurance plan and/or dental insurance plan does not permit Executive's continued participation in such plan after her termination of employment, then the Company shall pay that portion of the premiums associated with COBRA continuation coverage that the Company paid on behalf of Executive and her dependents during Executive's employment, including administrative fees, on Executive's behalf for so long as COBRA continuation coverage is available, up to twelve (12) months; and provided, further, that if Executive becomes employed with another employer during the period in which continued health insurance and/or dental insurance is being provided pursuant to this Section, the Company shall not be required to continue the relevant benefits, or if applicable, to pay the relevant costs of COBRA, if Executive becomes covered under a health insurance plan and/or dental plan of the new employer. (For purposes of this Section 5.3(a)(ii), the term "Executive" shall include, to the extent applicable, Executive's spouse and any of her dependents covered under the Company's group health plan and/or dental plan prior to her termination of employment.)

(b) As used herein, "Change in Control" shall occur or be deemed to occur if any of the following events occur:

(i) any sale, lease, exchange or other transfer (in one transaction or a series of transactions) of all or substantially all of the assets of the Company; or

(ii) any consolidation or merger of the Company (including, without limitation, a triangular merger) where the shareholders of the Company immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own, directly or indirectly, shares representing in the aggregate more than fifty percent (50%) of the combined voting power of all the outstanding securities of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any); or

(iii) a third person, including a “person” as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (but other than (x) the Company, (y) any employee benefit plan of the Company, or (z) investors purchasing equity securities of the Company pursuant to a financing or a series of financings approved by the Board of Directors of the Company) becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly, of Controlling Securities (as defined below). “Controlling Securities” shall mean securities representing 25% or more of the total number of votes that may be cast for the election of the directors of the Company.

5.4 Effect of Termination on Stock Options and Other Equity Compensation.

(a) In the event of Executive’s termination by Executive by reason of non-renewal of the Agreement Term pursuant to Sections 1 and 4.1, by the Company for Cause pursuant to Section 4.2, or by Executive without Good Reason pursuant to Section 4.5, all unvested stock options and other equity-based awards granted to Executive before and after the date of this Agreement shall be immediately forfeited upon the effective date of such termination of employment or as otherwise provided in the award agreement; provided, that, Executive shall have until the earlier of expiration date of the option or ninety (90) days from the date of termination of Executive to exercise all vested options unless the stock plan pursuant to which the option is granted requires earlier termination in connection with a liquidation or sale of the Company.

(b) In the event of Executive’s termination by the Company by reason of non-renewal of the Agreement Term pursuant to Sections 1 and 4.1, by Executive for Good Reason pursuant to Section 4.3, or by the Company without Cause pursuant to Section 4.5, and provided that Executive (or her legal representative, if applicable) executes a Release and the Release becomes effective and irrevocable prior to the end of the Review Period, that number of Executive’s unvested stock options and other equity-based awards that would otherwise have vested from the effective date of Executive’s termination to the first anniversary of such date shall vest as of the date the Release is effective and irrevocable and Executive (or her estate or legal representative, if applicable) shall have until the earlier of the expiration date of the option or one (1) year from the date of termination of Executive’s employment to exercise all vested options unless the stock plan pursuant to which the option is granted requires earlier termination in connection with a liquidation or sale of the Company.

(c) In the event Executive’s employment with the Company is terminated by the Company by reason of non-renewal of the Agreement Term pursuant to Sections 1 and 4.1, by Executive for Good Reason pursuant to Section 4.3, or by the Company without Cause pursuant to Section 4.5, in any such case, in anticipation of and/or within twelve (12) months following a Change in Control, in lieu of the acceleration provided for pursuant to Section 5.4(b) above, provided that Executive (or her legal representative, if applicable) executes a Release and the Release becomes effective and irrevocable prior to the end of the Review Period, all of Executive’s unvested stock options and other equity-based awards then in effect shall vest as of the date the Release is effective and irrevocable and Executive (or her estate or legal representative, if applicable) shall have until the earlier of the expiration date of the option or one (1) year from the date of termination of Executive’s employment to exercise all vested options unless the stock plan pursuant to which the option is granted requires earlier termination in connection with a liquidation or sale of the Company.

(d) In the event Executive's employment with the Company is terminated by reason of disability pursuant to Section 4.4, all unvested stock and stock options granted to Executive before and after the date of this Agreement shall be immediately forfeited upon the effective date of such termination of employment or as otherwise provided in the option agreement; provided, that, Executive shall have until the earlier of the expiration date of the option or one (1) year from the date of termination of Executive's employment to exercise all vested options unless the stock plan pursuant to which the option is granted requires earlier termination in connection with a liquidation or sale of the Company.

5.5 Review Period. In the event that the Review Period begins in one taxable year of the Executive and ends in a later taxable year, any payments contingent upon Executive's execution without revocation of the Release prior to the end of the Review Period will be made or commence to be paid on the first payroll date in the later taxable year. In no event will any payments be made or commence to be paid later than the ninetieth (90th) day following the Executive's date of termination.

5.6 Limitation on Benefits. The Company will make the payments under this Agreement without regard to whether the deductibility of such payments (or any other payments or benefits) would be limited or precluded by Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") and without regard to whether such payments would subject Executive to the federal excise tax levied on certain "excess parachute payments" under Code Section 4999 of the Code; provided, however, that if the Total After-Tax Payments (as defined below) would be increased by the reduction or elimination of any payment and/or other benefit (including the vesting of the options) under this Agreement, then the amounts payable under this Agreement will be reduced or eliminated as follows, if possible: (i) first, by reducing or eliminating any cash payments or other benefits (other than the vesting of the options) and (ii) second, by reducing or eliminating the vesting of that options that occurs as a result of such Change in Control (as provided above), to the extent necessary to maximize the Total After-Tax Payments. The Company's independent, certified public accounting firm will determine whether and to what extent payments or vesting under this agreement are required to be reduced in accordance with the preceding sentence. For purposes of this Agreement, "Total After-Tax Payments" means the total of all "parachute payments" (as that term is defined in Section 280G(b)(2) of the Code) made to or for the benefit of Executive (whether made under the Agreement or otherwise), after reduction for all applicable federal taxes (including, without limitation, the tax described in Section 4999 of the Code). The Company agrees to pay for all costs associated with the determination of the payments or vesting required to be reduced and for the avoidance of doubt, shall not be required to pay any taxes, penalties, interest or other expenses to which Executive may be subject.

5.7 Withholdings. Payments made under this Section 5 shall be subject to applicable federal, state and local taxes and withholdings. If the payment of any COBRA or health insurance premiums would otherwise violate the nondiscrimination rules or cause the reimbursement of claims to be taxable under the Patient Protection and Affordable Care Act of 2010, together with the Health Care and Education Reconciliation Act of 2010 (collectively, the "Act") or Section 105(h) of the Code, the Company paid premiums shall be treated as taxable payments and be subject to imputed income tax treatment to the extent necessary to eliminate any discriminatory treatment or taxation under the Act or Section 105(h) of the Code.

6. Notices. All notices, requests, consents and other communications hereunder will be in writing, will be addressed, if to the Company, at its principal corporate offices to the attention of the Legal Department, and if to Executive, at her address set forth on the signature page hereto, or in either case, such other address as a party may designate by notice hereunder, and will be either (i) delivered by hand, (ii) sent by overnight courier, or (iii) sent by registered or certified mail, return receipt requested, postage prepaid. All notices, requests, consents and other communications hereunder will be deemed to have been given either (i) if by hand, at the time of the delivery thereof to the receiving party at the address of such party set forth above, (ii) if sent by overnight courier, on the next business day following the day such notice is delivered to the courier service, or (iii) if sent by registered or certified mail, on the fifth business day following the day such mailing is made.

7. Absence of Restrictions. Executive represents and warrants that she is not bound by any employment contracts, restrictive covenants or other restrictions that prevent her from entering into employment with, or carrying out her responsibilities for, the Company, or which are in any way inconsistent with any of the terms of this Agreement.

8. Entire Agreement. This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether written or oral relating to the subject matter of this Agreement, with the exception of the Invention, Non-Disclosure, and Non-Solicitation Agreement, dated as of April 30, 2014, by and between the Company and Executive. Notwithstanding the foregoing, the parties to this Agreement acknowledge that stock options and other equity awards may be granted by the Company to Executive under and pursuant to the 2012 Plan and any amendments thereto, as well as any additional plans, and the award agreements related to such plans.

9. Amendment. This Agreement may be amended or modified only by a written instrument executed by both the Company and Executive.

10. Governing Law; Consent to Jurisdiction. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of New York without regard to conflict of law principles. Any action, suit or other legal proceeding arising under or relating to any provision of this Agreement shall be commenced only in a court of the State of New York (or, if appropriate, a federal court located within the State of New York), and the Company and Executive each consents to the jurisdiction of such a court. The Company and Executive each hereby irrevocably waive any right to a trial by jury in any action, suit or other legal proceeding arising under or relating to any provision of this Agreement.

11. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any corporation with which, or into which, the Company may be merged or which may succeed to the Company's assets or business, provided, however, that the obligations of Executive are personal and shall not be assigned by her. Notwithstanding the foregoing, if Executive dies the compensation and benefits stated in this Agreement will be paid to her beneficiary or her estate if no beneficiary.

12. Miscellaneous.

12.1 No Waiver. No delay or omission by the Company in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.

12.2 Captions. The captions of the sections of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

12.3 Severability. In case any provision of this Agreement shall be invalid, illegal or otherwise unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

12.4 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. This Agreement may be delivered by facsimile, and facsimile signatures shall be treated as original signatures for all applicable purposes.

12.5 Blue Penciling. To the extent that any provision herein or in any plan of nonqualified deferred compensation that this document is a part of contravenes the requirements of Code Section 409A or the regulations thereunder, such provision shall be appropriately modified in accordance with available IRS guidance (including without limitation IRS Notice 2010-6 and related guidance) so that Executive is not subject to the adverse effects of Code Section 409A but will nevertheless retain, to the extent possible, the economic benefit of the provision.

12.6 Section 409A.

(a) The payments under this Agreement are intended either to be exempt from Section 409A of the Code under the short-term deferral, separation pay, or other applicable exception, or to otherwise comply with Section 409A. The parties agree that this Agreement shall be administered in a manner consistent with such intent. For purposes of Section 409A, all payments under this Agreement shall be considered separate payments. If any amount or benefit payable to the Executive under this Agreement upon a "termination of employment" is determined by the Company to constitute a "deferral of compensation" for purposes of Section 409A (after taking into account any applicable exceptions), such amount or benefit shall not be paid or provided until the Executive has also experienced a "separation from service" from the Company within the meaning of Section 409A. Notwithstanding any provision to the contrary, to the extent Executive is considered a specified employee under Section 409A and would be entitled during the six-month period beginning on Executive's separation from service to a payment that is not otherwise excluded under Section 409A, such payment will not be made until the earlier of the six-month anniversary of Employee's separation from service or death; provided that the first payment made after the delay shall include all amounts that would have been paid earlier but for such six (6) month delay. At the request of the Executive, the Company shall set aside those payments that would otherwise be made in such six-month period in a trust that is in compliance with Rev. Proc. 92-64.

(b) If an expense reimbursement or provision of in-kind benefit provided to the Executive under this Agreement is not exempt from Section 409A of the Code, the following rules apply: (i) in no event shall any reimbursement be paid after the last day of the taxable year following the taxable year in which the expense was incurred; (ii) the amount of reimbursable expenses incurred or provision of in-kind benefits in one tax year shall not affect the expenses eligible for reimbursement or the provision of in-kind benefits in any other tax year; and (iii) the right to reimbursement for expenses or provision of in-kind benefits is not subject to liquidation or exchange for any other benefit.

(c) The parties agree to negotiate in good-faith the amendment of this Agreement, as necessary, to avoid any violations of Section 409A in a manner that preserves the original intent of the parties to the extent reasonably possible. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Executive on account of non-compliance with Section 409A.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year set forth above.

THE COMPANY:

INTERCEPT PHARMACEUTICALS, INC.

By: /s/ Mark Pruzanski

Name: Mark E. Pruzanski, MD

Title: President and Chief Executive Officer

EXECUTIVE:

By: /s/ Rachel McMinn

Name: Rachel McMinn

Address for Notice Purposes:

Exhibit A

RELEASE OF CLAIMS

FOR AND IN CONSIDERATION OF the payments and benefits (the “**Separation Benefits**”) to be provided to me in connection with the separation of my employment, in accordance with the Employment Agreement between Intercept Pharmaceuticals, Inc. (the “**Company**”) and me dated as April 30, 2014 (the “**Agreement**”), which Separation Benefits are conditioned on my signing this Release of Claims (“**Release**”) and which I will forfeit unless I execute and do not revoke this Release of Claims, I, on my own behalf and on behalf of my heirs and estate, voluntarily, knowingly and willingly release and forever discharge the Company, its subsidiaries, affiliates, parents, and stockholders, together with each of those entities’ respective officers, directors, stockholders, employees, agents, fiduciaries and administrators (collectively, the “**Releasees**”) from any and all claims and rights of any nature whatsoever which I now have or in the future may have against them up to the date I execute this Release, whether known or unknown, suspected or unsuspected. This Release includes, but is not limited to, any rights or claims relating in any way to my employment relationship with the Company or any of the other Releasees or the termination thereof, any contract claims (express or implied, written or oral), including, but not limited to, the Agreement, or any rights or claims under any statute, including, without limitation, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Older Workers’ Benefit Protection Act, the Rehabilitation Act of 1973 (including Section 504 thereof), Title VII of the 1964 Civil Rights Act, the Civil Rights Act of 1866 (42 U.S.C. § 1981), the Civil Rights Act of 1991, the Equal Pay Act, the National Labor Relations Act, the Worker Adjustment and Retraining Notification Act, the Family Medical Leave Act, the Lilly Ledbetter Fair Pay Act, the Genetic Information Non-Discrimination Act, the New York State Human Rights Law, the New York City Human Rights Law, and the Employee Retirement Income Security Act of 1974, all as amended, and any other federal, state or local law. This Release specifically includes, but is not limited to, any claims based upon the right to the payment of wages, incentive and performance compensation, bonuses, equity grants, vacation, pension benefits, 401(k) Plan benefits, stock benefits or any other employee benefits, or any other rights arising under federal, state or local laws prohibiting discrimination and/or harassment on the basis of race, color, age, religion, sexual orientation, religious creed, sex, national origin, ancestry, alienage, citizenship, nationality, mental or physical disability, denial of family and medical care leave, medical condition (including cancer and genetic characteristics), marital status, military status, gender identity, harassment or any other basis prohibited by law.

As a condition of the Company entering into this Release, I further represent that I have not filed against the Company or any of the other Releasees, any complaints, claims or lawsuits with any arbitral tribunal, administrative agency, or court prior to the date hereof, and that I have not transferred to any other person any such complaints, claims or lawsuits. I understand that by signing this Release, I waive my right to any monetary recovery in connection with a local, state or federal governmental agency proceeding and I waive my right to file a claim seeking monetary damages in any arbitral tribunal, administrative agency, or court. This Release does not: (i) prohibit or restrict me from communicating, providing relevant information to or otherwise cooperating with the U.S. Equal Employment Opportunity Commission or any other governmental authority with responsibility for the administration of fair employment practices laws regarding a possible violation of such laws or responding to any inquiry from such authority, including an inquiry about the existence of this Release or its underlying facts, or (ii) require me to notify the Company of such communications or inquiry. Furthermore, notwithstanding the foregoing, this Release does not include and will not preclude: (a) rights or claims to vested benefits under any applicable retirement and/or pension plans; (b) rights under the Consolidated Omnibus Budget Reconciliation Act of 1985 (“**COBRA**”); (c) claims for unemployment compensation; (d) rights to defense and indemnification, if any, from the Company for actions or inactions taken by me in the course and scope of my employment with the Company and its parents, subsidiaries and/or affiliates; (e) any rights I may have to obtain contribution as permitted by law in the event of entry of judgment against the Company as a result of any act or failure to act for which I and the Company are held jointly liable; (f) any rights to vested equity that vested prior to or because of the termination of my employment; and/or (g) any actions to enforce the Agreement.

I acknowledge that, in signing this Release, I have not relied on any promises or representations, express or implied, other than those that are set forth expressly herein or in the Agreement and that are intended to survive separation from employment, in accordance with the terms of the Agreement.

I further acknowledge that:

- (1) I first received this Release on the date of the Agreement to which it is attached as Exhibit A;
- (2) I understand that, in order for this Release to be effective, I may not sign it prior to the date of my separation of employment with the Company but that if I wish to receive the Separation Benefits, I must sign and return this Release prior to the sixtieth (60th) day following my separation of employment;
- (3) I have carefully read and understand this Release;
- (4) The Company advised me to consult with an attorney and/or any other advisors of my choice before signing this Release;
- (5) I understand that this Release is **LEGALLY BINDING** and by signing it I give up certain rights;
- (6) I have voluntarily chosen to enter into this Release and have not been forced or pressured in any way to sign it;
- (7) I acknowledge and agree that the Separation Benefits are contingent on execution of this Release, which releases all of my claims against the Company and the Releasees, and I **KNOWINGLY AND VOLUNTARILY AGREE TO RELEASE** the Company and the Releasees from any and all claims I may have, known or unknown, in exchange for the benefits I have obtained by signing, and that these benefits are in addition to any benefit I would have otherwise received if I did not sign this Release;
- (8) I have seven (7) days after I sign this Release to revoke it by notifying the Company in writing. The Release will not become effective or enforceable until the seven (7) day revocation period has expired;
- (9) This Release includes a **WAIVER OF ALL RIGHTS AND CLAIMS** I may have under the Age Discrimination in Employment Act of 1967 (29 U.S.C. §621 *et seq.*); and
- (10) This Release does not waive any rights or claims that may arise after this Release becomes effective, which is seven (7) days after I sign it, provided that I do not exercise my right to revoke this Agreement.

Intending to be legally bound, I have signed this Release as of the date written below.

Signature: _____
Rachel McMinn

_____ Date signed

Restricted Stock Award No. _____

INTERCEPT PHARMACEUTICALS, INC.

Restricted Stock Award Grant Notice for Directors
 Restricted Stock Award Grant under the Company's
 2012 Equity Incentive Plan

1. Name and Address of Participant: _____

2. Date of Grant of Restricted Stock Award: _____
3. Number of Shares underlying Restricted Stock Award: _____
4. Vesting of Award: This Restricted Stock Award shall vest as follows provided the Participant is an Employee, director or Consultant of the Company or of an Affiliate on the applicable vesting date:

<u>Number of Shares of Restricted Stock</u>	<u>Vesting Date</u>
[]% of the Number of Shares	_____, 20__ ^{1/}
[]% of the Number of Shares	[_____]

See Section 2(d) for vesting in the event of a Change of Control (as defined herein).

The Company and the Participant acknowledge receipt of this Restricted Stock Award Grant Notice and agree to the terms of the Restricted Stock Agreement attached hereto and incorporated by reference herein, the Company's 2012 Equity Incentive Plan and the terms of this Restricted Stock Award as set forth above.

INTERCEPT PHARMACEUTICALS, INC.

By: _____
 Name: _____
 Title: _____

Participant

^{1/} This date will be [_____] from the issuance date.

INTERCEPT PHARMACEUTICALS, INC.

**RESTRICTED STOCK AGREEMENT -
INCORPORATED TERMS AND CONDITIONS**

AGREEMENT made as of the date of grant set forth in the Restricted Stock Award Grant Notice between Intercept Pharmaceuticals, Inc. (the "Company"), a Delaware corporation, and the individual whose name appears on the Restricted Stock Award Grant Notice (the "Participant").

WHEREAS, the Company has adopted the Intercept Pharmaceuticals, Inc. 2012 Equity Incentive Plan (the "Plan"), to promote the interests of the Company by providing an incentive for directors of the Company and its Affiliates;

WHEREAS, pursuant to the provisions of the Plan, the Company desires to grant to the Participant an award of shares of the Company's common stock, par value \$0.001 per share ("Common Stock"), which shares are subject to vesting and transferability restrictions and forfeiture provisions ("Restricted Stock") in accordance with the provisions of the Plan, all on the terms and conditions hereinafter set forth; and

WHEREAS, the Company and the Participant understand and agree that any terms used and not defined herein have the meanings ascribed to such terms in the Plan.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Grant of Award. The Company hereby grants to the Participant the number of shares of Restricted Stock set forth in the Restricted Stock Award Grant Notice (the "Award"), on the terms and conditions and subject to all the limitations set forth herein and in the Plan, which is incorporated herein by reference. The Participant acknowledges receipt of a copy of the Plan.

2. Vesting of Award.

(a) Subject to the terms and conditions set forth in this Agreement and the Plan, the Award granted hereby shall vest as set forth in the Restricted Stock Award Grant Notice and is subject to the other terms and conditions of this Agreement and the Plan. On each vesting date set forth in the Restricted Stock Award Grant Notice, the transferability restrictions and forfeiture provisions applicable to such number of shares of Restricted Stock set forth opposite such vesting date shall terminate and the shares of Common Stock shall be free from such restrictions and provisions, provided that, on such vesting date, the Participant is a director, Employee or Consultant of the Company or an Affiliate.

(b) Except as otherwise set forth in this Agreement, if the Participant ceases to be, for any reason, a director, Employee or Consultant of the Company or an Affiliate (the "Termination") prior to a vesting date set forth in the Restricted Stock Award Grant Notice, then as of the date on which such relationship is terminated with the Participant, all unvested shares of Restricted Stock shall immediately be forfeited to the Company in exchange for no consideration and this Agreement shall terminate and be of no further force or effect. For the avoidance of doubt and notwithstanding Sections 20 and 21 of the Plan, in the event that the Participant's Termination occurs on account of his death or Disability prior to a vesting date set forth in the Restricted Stock Award Grant Notice, then as of the date on which such death or Disability occurs, all unvested Restricted Stock shall immediately be forfeited to the Company in exchange for no consideration and this Agreement shall terminate and be of no further force or effect.

(c) Effect of a For Cause Termination. Notwithstanding anything to the contrary contained in this Agreement, in the event the Company or an Affiliate terminates the Participant's employment or service, as the case may be, for Cause, all of the unvested shares of Restricted Stock then held by the Participant shall be forfeited to the Company immediately as of the time the Participant is notified that his or her employment or service has been terminated for Cause or that he or she engaged in conduct which would constitute Cause and this Agreement shall terminate and be of no further force or effect.

(d) Change of Control. Notwithstanding the foregoing, (i) in the event of a Change of Control (as defined below), then, immediately prior to the Change of Control, all of the shares of Restricted Stock subject to this Award that are then unvested shall be deemed vested as of immediately prior to such Change of Control and such shares shall be free from the transferability restrictions and forfeiture provisions applicable to such shares and (ii) if there is a Corporate Transaction (as defined in Section 24(b) of the Plan) that is a Change of Control in which the acquiring entity does not assume this Award, then, immediately prior to the Change of Control, all of the shares of Restricted Stock subject to this Award that are then unvested shall be deemed vested as of immediately prior to such Change of Control and the transferability restrictions and forfeiture provisions applicable to all such unvested shares of Restricted Stock shall terminate and the shares of Common Stock shall be free from such restrictions and provisions.

Change of Control means the occurrence of any of the following events:

- (i) *Ownership*. Any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becomes the "Beneficial Owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities (excluding for this purpose any such voting securities held by the Company or its Affiliates or any employee benefit plan of the Company) pursuant to a transaction or a series of related transactions which the Board of Directors does not approve; or
- (ii) *Merger/Sale of Assets*. (A) A merger or consolidation of the Company whether or not approved by the Board of Directors, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or the parent of such corporation) more than 50% of the total voting power represented by the voting securities of the Company or such surviving entity or parent of such corporation, as the case may be, outstanding immediately after such merger or consolidation; or (B) the sale or disposition by the Company of all or substantially all of the Company's assets in a transaction requiring stockholder approval; or
- (iii) *Change in Board Composition*. A change in the composition of the Board of Directors, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the date of grant of this award, or (B) are elected, or nominated for election, to the Board of Directors with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company).
- (iv) "Change of Control" shall be interpreted, if applicable, in a manner, and limited to the extent necessary, so that it will not cause adverse tax consequences under Section 409A.

3. Prohibitions on Transfer and Sale. This Award (including any additional shares of Restricted Stock received by the Participant as a result of stock dividends, stock splits or any other similar transaction affecting the Company's securities without receipt of consideration) shall not be transferable by the Participant otherwise than pursuant to a qualified domestic relations order as defined by the Internal Revenue Code or Title I of the Employee Retirement Income Security Act or the rules thereunder, provided that any Restricted Stock permitted to be so transferred shall remain subject to this Agreement (including without limitation the vesting and transfer restrictions and forfeiture provisions), and such permitted transferee shall, as a condition to such transfer, deliver to the Company a written instrument confirming that such transferee shall be bound by all terms and conditions of this Award. This Award shall not be assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted transfer, assignment, pledge, hypothecation or other disposition of this Award or of any rights granted hereunder contrary to the provisions of this Section 3, or the levy of any attachment or similar process upon this Award shall be null and void.

4. Adjustments. The Plan contains provisions covering the treatment of shares of Restricted Stock in a number of contingencies such as stock splits. Provisions in the Plan for adjustment with respect to this Award and the related provisions with respect to successors to the business of the Company are hereby made applicable hereunder and are incorporated herein by reference.

5. Securities Law Compliance. The Participant specifically acknowledges and agrees that any sales of shares of Common Stock shall be made in accordance with the requirements of the Securities Act of 1933, as amended. The Company currently has an effective registration statement on file with the Securities and Exchange Commission with respect to the Common Stock to be granted hereunder. The Company intends to maintain this registration statement but has no obligation to do so. If the registration statement ceases to be effective for any reason or there is a restriction under foreign law, a Participant will not be able to transfer or sell any of the shares of Common Stock issued to the Participant pursuant to this Agreement unless exemptions from registration or filings under applicable securities laws are available. Furthermore, despite registration, applicable securities laws may restrict the ability of the Participant to resell his or her Common Stock, including due to the Participant's affiliation with the Company. The Company shall not be obligated to either issue the Common Stock or permit the resale of any shares of Common Stock if such issuance or resale would violate any applicable securities law, rule or regulation.

6. Rights as a Stockholder. The Participant shall be treated as the holder of the shares of Restricted Stock for purposes of exercising voting rights with respect to the shares, however, the Participant shall not be entitled to receive any dividends with respect to such shares unless and until the shares of Restricted Stock vest in accordance with the terms of this Agreement.

7. Incorporation of the Plan. The Participant specifically understands and agrees that the shares of Restricted Stock are being issued under the Plan will be issued to the Participant pursuant to the Plan, a copy of which Plan the Participant acknowledges he or she has read and understands and by which Plan he or she agrees to be bound. The provisions of the Plan are incorporated herein by reference.

8. Tax Liability of the Participant and Payment of Taxes. The Participant acknowledges and agrees that any income or other taxes due from the Participant with respect to this Award or the shares of Common Stock to be issued pursuant to this Agreement or otherwise sold shall be the Participant's responsibility. Without limiting the foregoing, the Participant agrees that if under applicable law the Participant will owe taxes at each vesting date on the portion of the Award then vested, then the Company shall be entitled to immediate payment from the Participant of the amount of any tax required to be withheld by the Company. The Company shall not deliver any shares of Common Stock to the Participant until it is satisfied that all required withholdings have been made.

9. Participant Acknowledgements and Authorizations.

The Participant acknowledges the following:

(a) The Company is not by the Plan or this Award obligated to continue the Participant as an Employee, director or Consultant of the Company or of an Affiliate.

(b) The Plan is discretionary in nature and may be suspended or terminated by the Company at any time.

(c) The grant of this Award is considered a one-time benefit and does not create a contractual or other right to receive any other award under the Plan, benefits in lieu of awards or any other benefits in the future.

(d) The Plan is a voluntary program of the Company and future awards, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of any grant, the amount of any award, vesting provisions and the purchase price, if any.

(e) The value of this Award is an extraordinary item of compensation outside of the scope of any employment or service. As such, the Award is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments. The future value of the shares of Common Stock is unknown and cannot be predicted with certainty.

(f) The Participant (i) authorizes the Company and its Affiliates or, if the Participant is not employed by the Company or an Affiliate, his or her employer, to furnish the Company and its Affiliates (and any agent administering the Plan or providing recordkeeping services) with such information and data as it shall request in order to facilitate the grant of the Award and the administration of the Plan, (ii) waives any data privacy rights he or she may have with respect to such information or the sharing of such information, and (iii) authorizes the Company and its Affiliates to store and transmit such information in electronic form.

10. Notices. Any notices required or permitted by the terms of this Agreement or the Plan shall be given by recognized courier service, facsimile, registered or certified mail, return receipt requested, addressed as follows:

If to the Company:

Intercept Pharmaceuticals, Inc.
450 W. 15th Street, Suite 505
New York, NY 10011
Attention: Chief Financial Officer

If to the Participant at the address set forth on the Restricted Stock Award Grant Notice

or to such other address or addresses of which notice in the same manner has previously been given. Any such notice shall be deemed to have been given on the earliest of receipt, one business day following delivery by the sender to a recognized courier service, or three business days following mailing by registered or certified mail.

11. Assignment and Successors.

(a) This Agreement is personal to the Participant and without the prior written consent of the Company shall not be assignable by the Participant otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Participant's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

12. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the Delaware, without giving effect to the conflict of law principles thereof. For the purpose of litigating any dispute that arises under this Agreement, whether at law or in equity, the parties hereby consent to exclusive jurisdiction in the state of New York and agree that such litigation shall be conducted in the state courts of New York or the federal courts of the United States for the Southern District of New York.

13. Severability. If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, then such provision or provisions shall be modified to the extent necessary to make such provision valid and enforceable, and to the extent that this is impossible, then such provision shall be deemed to be excised from this Agreement, and the validity, legality and enforceability of the rest of this Agreement shall not be affected thereby.

14. Entire Agreement. This Agreement, together with the Plan, constitutes the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement not expressly set forth in this Agreement shall affect or be used to interpret, change or restrict the express terms and provisions of this Agreement provided, however, in any event, this Agreement shall be subject to and governed by the Plan.

15. Modifications and Amendments; Waivers and Consents. The terms and provisions of this Agreement may be modified or amended as provided in the Plan. Except as provided in the Plan, the terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

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Restricted Stock Award No. _____

INTERCEPT PHARMACEUTICALS, INC.

Restricted Stock Award Grant Notice for Employees and Consultants

Restricted Stock Award Grant under the Company's
2012 Equity Incentive Plan

1. Name and Address of Participant: _____

2. Date of Grant of Restricted Stock Award: _____
3. Number of Shares underlying Restricted Stock Award: _____
4. Vesting of Award: This Restricted Stock Award shall vest as follows provided the Participant is an Employee, director or Consultant of the Company or of an Affiliate on the applicable vesting date:

<u>Number of Shares of Restricted Stock</u>	<u>Vesting Date</u>
[]% of the Number of Shares	_____, 20__ ^{1/}
[]% of the Number of Shares	[_____]

See Section 2(d) for vesting in the event of a Change of Control (as defined herein).

The Company and the Participant acknowledge receipt of this Restricted Stock Award Grant Notice and agree to the terms of the Restricted Stock Agreement attached hereto and incorporated by reference herein, the Company's 2012 Equity Incentive Plan and the terms of this Restricted Stock Award as set forth above.

INTERCEPT PHARMACEUTICALS, INC.

By: _____
Name: _____
Title: _____

Participant

^{1/} This date will be [_____] from the issuance date.

INTERCEPT PHARMACEUTICALS, INC.

**RESTRICTED STOCK AGREEMENT -
INCORPORATED TERMS AND CONDITIONS**

AGREEMENT made as of the date of grant set forth in the Restricted Stock Award Grant Notice between Intercept Pharmaceuticals, Inc. (the "Company"), a Delaware corporation, and the individual whose name appears on the Restricted Stock Award Grant Notice (the "Participant").

WHEREAS, the Company has adopted the Intercept Pharmaceuticals, Inc. 2012 Equity Incentive Plan (the "Plan"), to promote the interests of the Company by providing an incentive for Employees and Consultants of the Company and its Affiliates;

WHEREAS, pursuant to the provisions of the Plan, the Company desires to grant to the Participant an award of shares of the Company's common stock, par value \$0.001 per share ("Common Stock"), which shares are subject to vesting and transferability restrictions and forfeiture provisions ("Restricted Stock") in accordance with the provisions of the Plan, all on the terms and conditions hereinafter set forth; and

WHEREAS, the Company and the Participant understand and agree that any terms used and not defined herein have the meanings ascribed to such terms in the Plan.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Grant of Award. The Company hereby grants to the Participant the number of shares of Restricted Stock set forth in the Restricted Stock Award Grant Notice (the "Award"), on the terms and conditions and subject to all the limitations set forth herein and in the Plan, which is incorporated herein by reference. The Participant acknowledges receipt of a copy of the Plan.

2. Vesting of Award.

(a) Subject to the terms and conditions set forth in this Agreement and the Plan, the Award granted hereby shall vest as set forth in the Restricted Stock Award Grant Notice and is subject to the other terms and conditions of this Agreement and the Plan. On each vesting date set forth in the Restricted Stock Award Grant Notice, the transferability restrictions and forfeiture provisions applicable to such number of shares of Restricted Stock set forth opposite such vesting date shall terminate and the shares of Common Stock shall be free from such restrictions and provisions, provided that, on such vesting date, the Participant is a director, Employee or Consultant of the Company or an Affiliate.

(b) Except as otherwise set forth in this Agreement, if the Participant ceases to be, for any reason, a director, Employee or Consultant of the Company or an Affiliate (the "Termination") prior to a vesting date set forth in the Restricted Stock Award Grant Notice, then as of the date on which such relationship is terminated with the Participant, all unvested shares of Restricted Stock shall immediately be forfeited to the Company in exchange for no consideration and this Agreement shall terminate and be of no further force or effect. For the avoidance of doubt and notwithstanding Sections 20 and 21 of the Plan, in the event that the Participant's Termination occurs on account of his death or Disability prior to a vesting date set forth in the Restricted Stock Award Grant Notice, then as of the date on which such death or Disability occurs, all unvested Restricted Stock shall immediately be forfeited to the Company in exchange for no consideration and this Agreement shall terminate and be of no further force or effect.

(c) Effect of a For Cause Termination. Notwithstanding anything to the contrary contained in this Agreement, in the event the Company or an Affiliate terminates the Participant's employment or service, as the case may be, for Cause, all of the unvested shares of Restricted Stock then held by the Participant shall be forfeited to the Company immediately as of the time the Participant is notified that his or her employment or service has been terminated for Cause or that he or she engaged in conduct which would constitute Cause and this Agreement shall terminate and be of no further force or effect.

(d) Change of Control. Notwithstanding the foregoing, except to the extent specifically provided to the contrary in any employment agreement between the Participant and the Company or an Affiliate, (i) if there is a Change of Control (as defined below) and, within 12 months of such Change of Control, the Participant's service with the Company, the acquiring or succeeding corporation or any Affiliate of any of the foregoing is terminated by such entity for any reason other than for Cause, then, upon such termination, all of the shares of Restricted Stock subject to this Award that are then unvested shall be deemed vested as of such termination and the transferability restrictions and forfeiture provisions applicable to all such unvested shares of Restricted Stock shall terminate and the shares of Common Stock shall be free from such restrictions and provisions and (ii) if there is a Corporate Transaction (as defined in Section 24(b) of the Plan) that is a Change of Control in which the acquiring entity does not assume this Award, then, immediately prior to the Change of Control, all of the shares of Restricted Stock subject to this Award that are then unvested shall be deemed vested as of immediately prior to such Change of Control and the transferability restrictions and forfeiture provisions applicable to all such unvested shares of Restricted Stock shall terminate and the shares of Common Stock shall be free from such restrictions and provisions.

Change of Control means the occurrence of any of the following events:

- (i) *Ownership*. Any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becomes the "Beneficial Owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities (excluding for this purpose any such voting securities held by the Company or its Affiliates or any employee benefit plan of the Company) pursuant to a transaction or a series of related transactions which the Board of Directors does not approve; or
- (ii) *Merger/Sale of Assets*. (A) A merger or consolidation of the Company whether or not approved by the Board of Directors, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or the parent of such corporation) more than 50% of the total voting power represented by the voting securities of the Company or such surviving entity or parent of such corporation, as the case may be, outstanding immediately after such merger or consolidation; or (B) the sale or disposition by the Company of all or substantially all of the Company's assets in a transaction requiring stockholder approval; or
- (iii) *Change in Board Composition*. A change in the composition of the Board of Directors, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the date of grant of this award, or (B) are elected, or nominated for election, to the Board of Directors with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company).
- (iv) "Change of Control" shall be interpreted, if applicable, in a manner, and limited to the extent necessary, so that it will not cause adverse tax consequences under Section 409A.

3. Prohibitions on Transfer and Sale. This Award (including any additional shares of Restricted Stock received by the Participant as a result of stock dividends, stock splits or any other similar transaction affecting the Company's securities without receipt of consideration) shall not be transferable by the Participant otherwise than pursuant to a qualified domestic relations order as defined by the Internal Revenue Code or Title I of the Employee Retirement Income Security Act or the rules thereunder, provided that any Restricted Stock permitted to be so transferred shall remain subject to this Agreement (including without limitation the vesting and transfer restrictions and forfeiture provisions), and such permitted transferee shall, as a condition to such transfer, deliver to the Company a written instrument confirming that such transferee shall be bound by all terms and conditions of this Award. This Award shall not be assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted transfer, assignment, pledge, hypothecation or other disposition of this Award or of any rights granted hereunder contrary to the provisions of this Section 3, or the levy of any attachment or similar process upon this Award shall be null and void.

4. Adjustments. The Plan contains provisions covering the treatment of shares of Restricted Stock in a number of contingencies such as stock splits. Provisions in the Plan for adjustment with respect to this Award and the related provisions with respect to successors to the business of the Company are hereby made applicable hereunder and are incorporated herein by reference.

5. Securities Law Compliance. The Participant specifically acknowledges and agrees that any sales of shares of Common Stock shall be made in accordance with the requirements of the Securities Act of 1933, as amended. The Company currently has an effective registration statement on file with the Securities and Exchange Commission with respect to the Common Stock to be granted hereunder. The Company intends to maintain this registration statement but has no obligation to do so. If the registration statement ceases to be effective for any reason or there is a restriction under foreign law, a Participant will not be able to transfer or sell any of the shares of Common Stock issued to the Participant pursuant to this Agreement unless exemptions from registration or filings under applicable securities laws are available. Furthermore, despite registration, applicable securities laws may restrict the ability of the Participant to resell his or her Common Stock, including due to the Participant's affiliation with the Company. The Company shall not be obligated to either issue the Common Stock or permit the resale of any shares of Common Stock if such issuance or resale would violate any applicable securities law, rule or regulation.

6. Rights as a Stockholder. The Participant shall be treated as the holder of the shares of Restricted Stock for purposes of exercising voting rights with respect to the shares, however, the Participant shall not be entitled to receive any dividends with respect to the shares unless and until the shares of Restricted Stock vest in accordance with the terms of this Agreement.

7. Incorporation of the Plan. The Participant specifically understands and agrees that the shares of Restricted Stock are being issued to the Participant pursuant to the Plan, a copy of which Plan the Participant acknowledges he or she has read and understands and by which Plan he or she agrees to be bound. The provisions of the Plan are incorporated herein by reference.

8. Tax Liability of the Participant and Payment of Taxes. The Participant acknowledges and agrees that any income or other taxes due from the Participant with respect to the issuance or vesting of the shares of Restricted Stock pursuant to this Award shall be the Participant's responsibility. At such time as the Participant is not aware of any material nonpublic information about the Company or the Common Stock, the Participant shall execute the instructions set forth in Exhibit A attached hereto (the "Automatic Sale Instructions") as the means of satisfying such tax obligation. If the Participant does not execute the Automatic Sale Instructions prior to an applicable vesting date, then the Participant agrees that if under applicable law the Participant will owe taxes at such vesting date on the portion of the Award then vested the Company shall be entitled to immediate payment from the Participant of the amount of any tax required to be withheld by the Company. The Company shall not deliver any shares of Common Stock to the Participant until it is satisfied that all required withholdings have been made.

9. Participant Acknowledgements and Authorizations.

The Participant acknowledges the following:

(a) The Company is not by the Plan or this Award obligated to continue the Participant as an Employee, director or Consultant of the Company or of an Affiliate.

(b) The Plan is discretionary in nature and may be suspended or terminated by the Company at any time.

(c) The grant of this Award is considered a one-time benefit and does not create a contractual or other right to receive any other award under the Plan, benefits in lieu of awards or any other benefits in the future.

(d) The Plan is a voluntary program of the Company and future awards, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of any grant, the amount of any award, vesting provisions and the purchase price, if any.

(e) The value of this Award is an extraordinary item of compensation outside of the scope of any employment or service. As such, the Award is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments. The future value of the shares of Common Stock is unknown and cannot be predicted with certainty.

(f) The Participant (i) authorizes the Company and its Affiliates or, if the Participant is not employed by the Company or an Affiliate, his or her employer, to furnish the Company and its Affiliates (and any agent administering the Plan or providing recordkeeping services) with such information and data as it shall request in order to facilitate the grant of the Award and the administration of the Plan, (ii) waives any data privacy rights he or she may have with respect to such information or the sharing of such information, and (iii) authorizes the Company and its Affiliates to store and transmit such information in electronic form.

10. Notices. Any notices required or permitted by the terms of this Agreement or the Plan shall be given by recognized courier service, facsimile, registered or certified mail, return receipt requested, addressed as follows:

If to the Company:

Intercept Pharmaceuticals, Inc.
450 W. 15th Street, Suite 505
New York, NY 10011
Attention: Chief Financial Officer

If to the Participant at the address set forth on the Restricted Stock Award Grant Notice

or to such other address or addresses of which notice in the same manner has previously been given. Any such notice shall be deemed to have been given on the earliest of receipt, one business day following delivery by the sender to a recognized courier service, or three business days following mailing by registered or certified mail.

11. Assignment and Successors.

(a) This Agreement is personal to the Participant and without the prior written consent of the Company shall not be assignable by the Participant otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Participant's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

12. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the Delaware, without giving effect to the conflict of law principles thereof. For the purpose of litigating any dispute that arises under this Agreement, whether at law or in equity, the parties hereby consent to exclusive jurisdiction in the state of New York and agree that such litigation shall be conducted in the state courts of New York or the federal courts of the United States for the Southern District of New York.

13. Severability. If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, then such provision or provisions shall be modified to the extent necessary to make such provision valid and enforceable, and to the extent that this is impossible, then such provision shall be deemed to be excised from this Agreement, and the validity, legality and enforceability of the rest of this Agreement shall not be affected thereby.

14. Entire Agreement. This Agreement, together with the Plan, constitutes the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement not expressly set forth in this Agreement shall affect or be used to interpret, change or restrict the express terms and provisions of this Agreement provided, however, in any event, this Agreement shall be subject to and governed by the Plan.

15. Modifications and Amendments; Waivers and Consents. The terms and provisions of this Agreement may be modified or amended as provided in the Plan. Except as provided in the Plan, the terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

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Exhibit A

Automatic Sale Instructions

The undersigned hereby consents and agrees that any taxes due on a vesting date as a result of the vesting of Restricted Stock on such date shall be paid through an automatic sale of shares as follows:

(a) Upon any vesting of Restricted Stock pursuant to Section 2 hereof, the Company shall sell, or arrange for the sale of, such number of the shares of Restricted Stock no longer subject to the transferability restrictions and forfeiture provisions under Section 2 as is sufficient to generate net proceeds sufficient to satisfy the Company’s minimum statutory withholding obligations with respect to the income recognized by the Participant upon the lapse of the transfer restrictions and forfeiture provisions (based on minimum statutory withholding rates for all tax purposes, including payroll and social security taxes, that are applicable to such income), and the Company shall retain such net proceeds in satisfaction of such tax withholding obligations.

(b) The Participant hereby appoints the Vice President—Legal Affairs and Secretary of the Company his attorney in fact to sell the Participant’s shares in accordance with this Exhibit A. The Participant agrees to execute and deliver such documents, instruments and certificates as may reasonably be required in connection with the sale of the Shares pursuant to this Exhibit A.

(c) The Participant represents to the Company that, as of the date hereof, he or she is not aware of any material nonpublic information about the Company or the Common Stock. The Participant and the Company have structured this Agreement, including this Exhibit A, to constitute a “binding contract” relating to the sale of Common Stock, consistent with the affirmative defense to liability under Section 10(b) of the Securities Exchange Act of 1934 under Rule 10b5-1(c) promulgated under such Act.

The Company shall not deliver any shares of Common Stock to the Participant until it is satisfied that all required withholdings have been made.

Participant Name: _____

Date: _____

CERTIFICATIONS

I, Mark Pruzanski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Intercept Pharmaceuticals, Inc.;

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

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

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

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

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: May 9, 2014

By: /s/ Mark Pruzanski
Mark Pruzanski, M.D.
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Barbara Duncan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Intercept Pharmaceuticals, Inc.;

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

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

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

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

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: May 9, 2014

By: /s/ Barbara Duncan
Barbara Duncan
Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q of Intercept Pharmaceuticals, Inc. (the "Company") for the period ended March 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his or her knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2014

By: /s/ Mark Pruzanski
Mark Pruzanski, M.D.
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 9, 2014

By: /s/ Barbara Duncan
Barbara Duncan
Chief Financial Officer
(Principal Financial Officer)
